

PERTH & KINROSS INTEGRATION JOINT BOARD

26 AUGUST 2016

ANNUAL ACCOUNTS 2015/16

Report by Chief Finance Officer

PURPOSE OF REPORT

This report presents the IJB'S Audited Annual Accounts for the period to 31 March 2016 and Audit Scotland's Annual Audit Report.

1. BACKGROUND

The Unaudited Annual Accounts for 2015/16 were submitted to Audit Scotland on 30 June 2016.

The Annual accounts were prepared in accordance with the 2014 CIPFA Code of Practice on Local Authority Accounting ('the code'). These accounts also comply with the Local Authority Accounts (Scotland) Regulations 2014.

The Unaudited Annual Accounts were available for public inspection between 28 July and 19 August (inclusive). Audit Scotland, the IJB's external auditors, received no objections during this period.

On 1 July 2016 the IJB approved the Unaudited Annual Accounts for 2015/16.

2. ANNUAL ACCOUNTS 2015/16

The audit of the Annual Accounts took place between July and August 2016 during which time Audit Scotland considered whether the Annual Accounts 2015/16:-

- Gave a true and fair view in accordance with applicable law and the 2014/15 Code of the state of the affairs of the IJB as at 31 March 2016 and the income and expenditure of the IJB for the year then ended;
- Had been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 Code; and
- Had been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Audit Scotland findings are set out in the Annual Audit Report to members and the Controller of Audit on the 2015/16 which are set out in Appendix 1 to this report.

The key messages from the 2015/16 audit are set out on pages 3 and 4 of Appendix 1 and are summarised as follows:-

- unqualified independent auditor's report on the 2015/16 financial statements.
- the board did not comply with the statutory requirement to give public notice by the 17 June that its unaudited accounts were available for inspection. It subsequently gave the required notice on 28 July.
- the accounts presented for audit were not of a sufficient standard, with significant monetary and presentational adjustments required.
- the board is in the process of implementing its financial management arrangements to ensure that its financial position is sustainable.
- the board are committed to the integration agenda and have made good progress to date.
- The 2016/17 budget was agreed in March 2016 however the funding was considered insufficient to meet the board's requirements. The recovery plan agreed in July 2016, as part of the financial assurances update, identified savings however the funding remained insufficient. The board therefore invoked the risk sharing agreement whereby responsibility for meeting overspends lies with the partner delivering the service.
- Overall the board have appropriate governance arrangements in place to provide a framework for effective organisational decision making. These arrangements continue to develop with the board being operational from 1 April 2016.

The Audited Accounts are attached to this report at Appendix 2.

2 CONCLUSION AND RECOMMENDATION

The External Audit findings on the 2015/16 Audit are set out in the Annual Report to members and the Controller of Audit which is attached at Appendix 1 to this report.

It is recommended that the Board:

- Notes the contents of Audit Scotland's Annual Report to Members and the Controller of audit on the 2015/16 Audit.
- Note the Audited Annual Accounts for 2015/16.

Contact Officer: Jane M Smith, Chief Finance Officer, Perth & Kinross Health & Social Care Partnership

Email: janemsmith@pkc.gov.uk

Address of Service: Pullar House, Perth, PH2 5LU

Date of Paper: 26th August 2016

Appendix 1 Audit Scotland Annual Audit report to Members and the Controller of audit on the 2015/16 Audit

Appendix 2 2015/16 Audited Annual Accounts

Perth and Kinross Health and Social Care Integration Joint Board

Annual Accounts for the period ended 31 March 2016

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MANAGEMENT COMMENTARY

INTRODUCTION

The purpose of the Management Commentary is to inform all users of these accounts and help them to understand the most significant aspects of Perth & Kinross Health and Social Care Partnership's financial performance from its establishment on 3 October 2015 to 31 March 2016, and the period end financial position as at 31 March 2016.

The Perth & Kinross Health and Social Care Partnership (Integration Joint Board) is a body corporate, established by Parliamentary Order under section 9 of the Public Bodies (Joint Working) (Scotland) Act 2014, on 3 October 2015.

The Parties (Perth & Kinross Council and Tayside Health Board) agreed the Integration Scheme of Perth & Kinross Health and Social Care Partnership, which sets out the delegation of functions by the Parties to the Integration Joint Board.

Under the Body Corporate model, the Health Board and Local Authority delegate the responsibility for planning and resourcing service provision of adult health and social care services to an Integration Joint Board (IJB).

As a separate legal entity the IJB has full autonomy and capacity to act on its own behalf and can, accordingly, make decision about the exercise of its functions and responsibilities as it sees fit.

The Perth & Kinross IJB Members for 2015/16 were as follows:

Voting Members:

Councillor Dave Doogan (Chair)	Councillor Ian Campbell
Linda Dunion (Vice Chair)	Judith Golden (NHS Employee Director)
Councillor Kate Howie	Sheila Tunstall-James (Non Executive Member)
Councillor Peter Barrett	Stephen Hay (Non Executive Member)

Non-voting Members:

Robert Packham (Chief Officer)	Raymond Marshall (Staff Organisations Rep.)
Jane Smith (Chief Finance Officer)	Grant Mackie (Staff Organisations Rep.)
Bill Atkinson (Chief Social Work Officer)	Bernie Campbell (Carers Representative)
Dr Neil Prentice (Associate Medical Director)	Maureen Summers (Carers Representative)
Dr Morag Martindale (Medical Practitioner GP)	Helen McKinnon (Third Sector Representative)
Jim Foulis (Associate Nurse Director)	Ann Gourlay (Service User Representative)
Dr Drew Walker (Director of Public Health)	Sue Cole (Service User Representative)
Dr Alistair Noble (SACH and External Advisor)	

MANAGEMENT COMMENTARY (Continued)

PURPOSE AND OBJECTIVES

All Integration authorities are required to prepare strategic plans which set out their integration arrangements to achieve or contribute to national health and well-being outcomes. The partnership has therefore developed a Strategic Commissioning Plan which was approved by the Integration Joint Board in March 2016. The plan describes our commitment in Perth and Kinross to change the way we support and deliver health and social care services to meet the many challenges facing individuals and our communities. It outlines the positive experiences that people have when services and support connect effectively, putting each person and their situation at the heart of the decisions and choices that are made. Importantly, the plan also focuses on the important role our communities, the Third and Independent Sector have in supporting and enabling people to live healthy, independent lives at home or in a homely setting.

The Strategic Commissioning Plan has 5 key priorities which can be aligned within the Perth & Kinross Community Planning Partnership (CPP) agreed outcomes as follows :-

Strategic Plan Key Priorities	CPP Outcomes
1. Prevention and early intervention	1. Longer Healthier lives for all
2. Person centred health, care and support	2. Older People living independently for longer
3. Work together with communities	3. High quality personalised care
4. Inequality, inequity and healthy living	
5. Making the best use of available facilities, people and resources	

The **vision** of the partnership is to work together to support people living in Perth and Kinross to lead healthy and active lives and live as independently as possible in their own homes, or in a homely setting with choice and control over the decisions they make about their care and support.

This will be achieved by:

- Developing Integration locality teams, so that all clinical, professional and non-clinical staff can work together in a coordinated way to improve access and the quality of services.
- Ensuring that people are at the centre of all decisions, including carers and families.
- Combining staff and resources to deliver a wider range of care within communities and supporting people to be cared for at home.
- Improving the health of communities through wider partnership working to:
 - identify the health and care needs.
 - focus on health promoting activity.

MANAGEMENT COMMENTARY (Continued)

- taking action to improve well-being, life circumstances and lifestyles and actively addressing health and care inequalities

National Outcomes

A national outcomes framework (set out below) has been developed to assess progress towards achieving these. In Perth and Kinross we see health and social care integration as a vehicle to improve the wellbeing of local people. By involving people and their communities in decisions which affect them and through more joined up working and delivery of services earlier to prevent ill health, it is intended we will meet the 9 national outcomes set out below, The actions in the Strategic Plan reflect these 9 national outcomes and our 5 local strategic priorities.

MANAGEMENT COMMENTARY (Continued)

Perth & Kinross is one of three Health and Social Care Partnerships that have responsibility for services previously planned for and delivered by NHS Tayside, some of which operate on a Tayside wide basis. As a result, the services that Perth & Kinross Integration Joint Board is responsible for planning fall into three groups:

- Services that are managed through the Perth & Kinross Health and Social Care Partnership.
- Services that are managed by Angus or Dundee Health & Social Care Partnerships on behalf of all three organisations – these are referred to as “hosted” services.
- Services that are managed by NHS Tayside but used by one or more of the Health and Social Care Partnerships where it is not sensible to split the resources available among them without destabilising the services, these are referred to as ‘set aside Hospital Services’.

The table below summarises the main services for which the Perth & Kinross Integration Joint Board (IJB) has a strategic planning responsibility.

MANAGEMENT COMMENTARY (Continued)

Partnership Services

Community Care Services	Community Health Services	Hospital Services
<ul style="list-style-type: none"> • Social work services for adults with physical disability and older people • Services and support for adults with learning disabilities. • Mental health services • Drug and alcohol services • Adult protection and domestic abuse services • Carers support services • Health improvement services • Housing support services (in Sheltered Housing) • Aids and adaptations equipment and telecare • Residential care homes / nursing care home placements • Care at home • Reablement services • Respite and day care 	<ul style="list-style-type: none"> • District nursing services • Substance misuse services • Primary medical services • General dental services • Ophthalmic services • Community geriatric medicine • Primary medical services to patients out-of-hours • Community palliative care services • Community learning disability services • Community mental health services • Community continence services • Community kidney dialysis services • Public Health promotion • Allied health professionals • Community hospitals 	<ul style="list-style-type: none"> • Accident and Emergency services provided in a hospital • Inpatient hospital services relating to the following areas: <ul style="list-style-type: none"> • General medicine; • Geriatric medicine; • Rehabilitation medicine; • Respiratory medicine; and • Psychiatry of learning disability. • Palliative care services provided in a hospital • Inpatient hospital services provided by GP's • Services provided in a hospital in relation to an addiction or dependence on any substance • Mental health services provided in a hospital, except secure forensic mental health services • Pharmaceutical services

Hosted Services

The services to be managed by each Health & Social care Partnership (HSCP) on a pan Tayside basis are set out below.

MANAGEMENT COMMENTARY (Continued)

Dundee	Angus	Perth and Kinross
<ul style="list-style-type: none"> •Psychology Services •Sexual and Reproductive Health Services •Homeopathy Service •Specialist Palliative Care •The Centre for Brain Injury Rehabilitation (CBIRU) •Eating Disorders •Dietetics •Medical Advisory Service •Tayside Health Arts Trust •Keep Well •Psychotherapy 	<ul style="list-style-type: none"> •Locality Pharmacy •Primary Care Services (excludes the NHS Board administrative, contracting and professional advisory functions) •GP Out of Hours •Forensic Medicine •Continence service •Speech and Language Therapy 	<ul style="list-style-type: none"> •Learning Disability Inpatient Services •Substance Misuse Inpatient Services •Public Dental Services/Community Dental Services •General Adult Psychiatry Inpatient Services •Prisoner Healthcare •Podiatry

The three Tayside HSCPs are establishing a set of principles to underpin how hosted services will be managed effectively and consistently, recognising that strategic planning responsibility for the services is retained by all three IJB's in respect of their own population.

A key element of delivering the priorities of the strategic plan is the way we **strategically commission health and social care services**. Through strategic commissioning we will plan, develop and deliver services for people through engagement with individuals, communities, the statutory, third and independent sectors at locality level, investing to achieve positive outcomes for individuals and communities over the long term. This means:

- Understanding the needs of the population and the long term demand for services
- Improving and modernising services to achieve better outcomes
- Achieving value for money
- **Agreeing where we should invest, reinvest and disinvest, spending our money wisely to meet agreed priorities**
- Facilitating and managing the market to ensure that providers understand our priorities and can deliver appropriate services.

Principles based on promoting equality and inclusion will underpin the planning and monitoring for all health, social care and support services.

The way we provide or purchase services will need to fundamentally change over the next 3-5 years:

MANAGEMENT COMMENTARY (Continued)

- Over the next 3 years our plans to review existing health and social care provision will help us decide how to transform services to make sure that all, irrespective of their sector, enhance the quality of life for the individuals and their carers now and in the future.
- We will develop a market position statement to ensure that all stakeholders are aware of our plans and where services are commissioned externally, potential providers are able to plan and develop services that will meet the health and wellbeing needs of individuals and communities
- We will remodel, decommission some services and recommission others to meet our priorities

In the first year of the plan we have identified a number of specific key strategic priorities which are:

1. **Roll out locally based integration teams designed around GP clusters**, and enhanced care support, working in partnership with GPs, pharmacies and the voluntary sector to facilitate opportunities for personalised, joined up, planned care and support for people.
2. **Embed the role of GP clusters** to become an Integration part of health and social care in order to share information between partners and explore different and improved ways of working together
3. Review existing services and pilot an enhanced role for **community pharmacy, dentistry and optometry services** to ensure **closer integration with locality teams**
4. **Work with communities to develop the health and social care market**, encouraging and empowering them to make choices to improve their health and wellbeing (**Communities First**)
5. **Review AHP services**, including workforce review and completing the integration of Occupational Therapy Services.
6. **Transform District Nursing**, including implement findings of community nursing services review and move towards models of care based on outcome focussed assessments and care plans
7. **Review pathways between hospital and the community** to ensure that individual care is provided at the right time and in the right place and reduce delayed discharges
8. Explore opportunities for **community hospitals as local community hubs** for health, social care and third and independent sector with a range of services and facilities to support health and wellbeing in local communities
9. **Review inpatient beds** across all health services to ensure a shift toward locality care as close to person's home as possible.

MANAGEMENT COMMENTARY (Continued)

10. Review and implement changes to **care at home** to help people to remain at home for longer, and shift the balance from traditional services to community focussed services
11. Review **community care day** services to increase locally based opportunities for people to access support
12. Develop and finalise the **Integration workforce and organisational development plan** to engage, support and develop staff across all sectors
13. Review **Older People's Residential Care Services** and implement changes to meet the demands of an increasing older population.
14. **Continue to work with housing partners to support people to live independently**
15. Implement the recommendations in the **Technology Enabled Care Strategy** technology in local services
16. **Review community care packages** to enhance the individual's, their families, and community's assets to create more resilience and which is financially sustainable
17. Review and evaluate all **services hosted** by the Perth and Kinross Partnership in order to establish future service arrangements
18. Develop interventions **for people who are at the highest risk of ill health**, to prevent illness including smoking, alcohol and drug use, oral health, sexual health, undernutrition and initiatives to reduce the number of people who are overweight or obese, targeting resources at those most at risk
19. Develop a **rolling 3 year savings plan for health**, supported by NHS Tayside transformation workstreams, ensuring all opportunities for joint transformation are delivered

Progress on the strategic plan is reported at each Integration Joint Board and the first annual review of the plan is to be submitted to the Scottish Government next spring.

PRINCIPAL RISKS AND UNCERTAINTIES

Perth & Kinross IJB has an approved Risk Management Policy & Strategy and has developed a Draft Risk Management Framework which sets out the key strategic risks for the IJB and the current internal controls and an improvement plan. The Risk Register will be reviewed by the IJB on a six monthly basis.

The principal strategic risk facing the partnership is in relation to delivering a significant saving set against the budgets being devolved by NHS Tayside along with a material reduction in spend required on supplementary staffing. The partnership and its officers continue to seek and explore all opportunities to set out a balanced financial position for 2016/17, however as at 1 July 2016 the budget for GP Prescribing and Inpatient Mental Health Services cannot be regarded as sufficient. This brings significant uncertainty for 2016/17. In addition an unanticipated level of demand for care home placements brings significant financial risk.

MANAGEMENT COMMENTARY (Continued)

FINANCIAL PERFORMANCE

This section is presented as a commentary on the overall financial position of the Perth and Kinross IJB as shown within the Annual Accounts for the period ended 31 March 2016. It contains explanations of the major influences on the IJB's income and expenditure in line with the Statement of Accounting Policies which sets out the basis upon which the financial statements have been prepared and explains the accounting treatment of both general and specific items.

	Actual £
Employee Costs	54,231
Supplies and Services	35,404
Transport	362
Third Party Payments	6,250
Total Expenditure	96,247
Perth & Kinross Council Income	(47,013)
NHS Tayside Income	(47,013)
Total Income	(94,026)

THE FINANCIAL STATEMENTS

Movement in Reserves Statement

The IJB has a reserves policy for future years. The Accounting Statements for 2015/16 includes a Movement in Reserves Statement for the IJB.

Comprehensive Income and Expenditure Statement

This Statement shows the accounting costs in the financial year 2015/16 of providing services in accordance with generally accepted accounting practices. The IJBs Income and Expenditure is limited to an agreed list of transactions.

Balance Sheet

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the IJB. The balance sheet at 31 March 2016 shows net liabilities of £2,221. This net liability reflects the application of IAS 19 (Retirement benefits) . It is appropriate to adopt a going concern basis for the preparation of the financial statements as the partners have a obligation under the integration scheme to meet liabilities as they fall due.

MANAGEMENT COMMENTARY (Continued)

Cash Flow Statement

No cash statement has been included as the IJB did not hold any cash or cash equivalents throughout the period 2015/16.

Robert Packham
Chief Officer
Perth & Kinross IJB

26 August 2016

Dave Doogan
Chair
Perth & Kinross IJB

26 August 2016

Jane M Smith CA
Chief Finance Officer
Perth & Kinross IJB

26 August 2016

ANNUAL GOVERNANCE STATEMENT 2015/16

Introduction

Good governance is the key to success for the Integration Joint Board (IJB) in achieving the National Health and Wellbeing Outcomes and delivering the objectives in the IJB's Strategic Plan. It supports better informed decision making, the efficient use and management of our resources, high quality performance, greater scrutiny and accountability and ultimately results in better outcomes for the people living in our communities who receive health and social care services.

The purpose of this Governance Statement is to give assurance to the people of Perth & Kinross, Members of the IJB, the Partners and other stakeholders that we have effective arrangements in place to ensure that, as an IJB, we are doing the right things for the right people at the right time in an open, honest and accountable way.

The IJB is a body corporate, established by Parliamentary Order under section 9 of the Public Bodies (Joint Working) (Scotland) Act 2014. The IJB was established on 3rd October 2015 following approval of the Integration Scheme agreed between Perth and Kinross Council and NHS Tayside. The Scheme sets out the strategic and operational responsibilities of the Board and the functions for which it is responsible and which have been delegated to it by each of the Partners.

The IJB is in its infancy and only assumed financial and operational responsibility for Integration functions on 1 April 2016. The governance framework is therefore still in development and there has been no opportunity to fully test the effectiveness of the internal control mechanisms in place.

This Governance Statement seeks to provide assurance as to the controls that are currently in place and to identify and action improvement in respect of those control areas which require further review and development to enable the IJB to achieve its outcomes and to identify, manage and mitigate key risks.

Scope of Responsibility

Perth & Kinross Integration Joint Board is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, safeguarding public funds and assets and making arrangements to secure best value in their use.

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

The Purpose of the Governance Framework

The governance framework enables the IJB to monitor and evaluate the achievement of its objectives and to determine whether these have delivered appropriate, efficient and cost

ANNUAL GOVERNANCE STATEMENT 2015/16 (Continued)

effective services and good outcomes for our communities. The system of internal control is a key element of an effective governance framework and is designed to manage the risk of any failure to achieve our outcomes.

The internal control system should manage risk through the continuing process of identification, prioritisation, evaluation and mitigation. Risk should be evaluated on the basis of likelihood and impact in both financial and non-financial terms.

These risks must be managed and mitigated proportionately and effectively, recognising that risk can never be eliminated completely and therefore only reasonable assurance can ever be given.

Perth & Kinross IJB's financial management arrangements conform to the requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government. The Chief Finance Officer has overall responsibility for the IJB's financial arrangements and is professionally qualified and suitably experienced.

Our Governance Framework

By governance framework, we mean our culture and values and all the rules, resources, systems, processes and procedures that help us achieve our outcomes and provide services efficient and cost effective services.

We recognise that the following are fundamental elements of good governance within public sector organisations:-

- Vision, direction & purpose
- Leadership, Culture & Values
- Stakeholder Engagement
- Organisational Development
- Effective Decision Making
- Internal Controls
- Scrutiny & Accountability

Our governance arrangements to date are summarised as follows :-

- Our vision and purpose is the achievement of the intended outcomes for the citizens of Perth & Kinross documented in our Strategic Plan which was approved by the IJB on 23rd March 2016. It sets out a vision and describes how the IJB will achieve the National Health and Wellbeing Outcomes prescribed by Regulations under section 5(1) of the Public Bodies (Joint Working) (Scotland) Act 2014.
- The IJB's agreed performance management framework is linked fully to the National Health and Wellbeing Outcomes.

ANNUAL GOVERNANCE STATEMENT 2015/16 (Continued)

- We recognise that effective stakeholder engagement is essential if we are to design and deliver services which best meet the needs of our communities. The IJB has a Participation and Engagement Strategy and a Participation and Engagement Group to support implementation.
- An operational framework establishing the Board is set out in the Integration Scheme which was approved by Ministers in October 2015.
- The IJB has a Scheme of Administration which sets out the role of the Board, the Chief Officer and Chief Finance Officer and provides an appropriate mechanism for decision-making and ensuring transparency and accountability.
- The IJB appointed a Chief Officer in accordance with section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014. The Chief Officer reports directly to the Chief Executive Officers of both the Council and the Health board, and is a full member of the senior management teams of both Parties. The IJB is responsible for the operational oversight of Integration Services and through the Chief Officer is responsible for the operational management of Integration Services.
- A Chief Financial Officer of the IJB was also appointed in accordance with the Public Bodies (Joint Working) (Scotland) Act 2014, and is responsible for ensuring that the accounts are prepared in line with statutory timetables and that they meet the requirements of section 39 for the Public Bodies (Joint Working) (Scotland) Act 2014 and that they comply with proper accounting practice.
- The Chief Officer and Chief Finance Officer are supported by a management team which is split into three key services (Community Health, Social Care and Inpatient Mental Health) led by three Heads of Service. The management team (Chief Officers Group) meet weekly as a Senior Management Team. Individual Services also have their own Service Management Teams.
- The Board has established an Audit & Risk Committee with a detailed remit and powers and with the membership clearly defined. This complies with statutory requirements and with the Board's Standing Orders.
- The IJB has begun to develop and implement a suite of policies, procedures and /or management processes to ensure that there are appropriate internal controls in place in respect of :-
 - Decision making
 - Financial management
 - Operational delivery

ANNUAL GOVERNANCE STATEMENT 2015/16 (Continued)

- Performance Management
 - Risk Management
 - Code of Conduct
 - Conflicts of interest
 - Complaints handling
 - Scrutiny & Accountability
-
- The Integration Scheme stipulates that joint arrangements are put in place for clinical and care governance to include representatives of the relevant professional groups for all health and social care professions. A Clinical, Care and Professional Governance Framework which includes the establishment of a Local Joint CCPG Committee, was approved by the IJB on 15th January 2016. The CCPGC will ensure there is appropriate assurance for the Parties and the IJB on the standards for health and care services provided and provide advice as necessary in relation to the strategic planning of the IJB.

A Review of Effectiveness

The IJB has a responsibility for conducting a review of the effectiveness of its governance arrangements. In order to assess the effectiveness of the arrangements, assurance evidence should be gathered.

As stated above, the IJB was only established on 3 October 2015, and did not have full financial and operational responsibility for Integration functions in the financial year 2015-16. There has been little opportunity therefore to test the effectiveness of the current control system.

The following key governance documents are in place to enable the IJB to assume its strategic, financial and operational responsibilities from 1 April 2016 and to operate as a decision making body :-

- Standing Orders
- Scheme of Administration
- Code of Conduct
- Financial Regulations

Financial Regulations set out the responsibilities of the IJB and senior officers in relation to the proper administration of the IJB's finances and the role of Internal Audit and its rights of access across the IJB.

The IJB at its meeting on 23rd March 2016 considered a comprehensive Financial Assurance Review of the budgets to be devolved to the Board from 1st April 2016.

The Annual Budget to be devolved by Perth & Kinross Council for 2016/17 has been approved by the IJB.

ANNUAL GOVERNANCE STATEMENT 2015/16 (Continued)

The Annual Budget to be devolved by NHS Tayside has been approved on an indicative basis only by the IJB at this stage whilst further work was undertaken to assess the sufficiency of the budget. Notwithstanding this, sufficient assurance was available to enable the IJB to issue Directions to the Partners by 1 April 2016.

At a specially convened IJB Meeting on the 1st of July 2016 to receive an update on the budget to be devolved by NHS Tayside, the Board concluded that due to the significant shortfall on savings identified against the GP Prescribing budget and Mental Health Inpatient Budget, as well as the significant forecast overspend on supplementary staffing costs within Mental Health Inpatient Budgets, those budgets could not be regarded as sufficient and therefore the risk sharing agreement set out in the Integration Scheme should be invoked.

The Chief Internal Auditor of NHS Tayside and the Chief Internal Auditor of Perth & Kinross Council have jointly prepared an audit report in April 2016 in respect of the financial assurance provided. (Report nos : T18B/16 and PKC 15-24 refer)

Audit opinion at paragraph 9 states :

“We can provide assurance that in our opinion the due diligence processes undertaken on the initial sums for the Integration budget (I.e. exempting the Large Hospital Set Aside) comprehensively covered the requirements of the national financial assurance guidance. The information provided to the Perth & Kinross Integration Joint Board (IJB) at its November 2015 meeting and concluding in the January and February 2016 development events, provided a full and detailed picture of the financial position of the budgets in scope. In addition, in our opinion, the due diligence and summary of risks reports met all the requirements of the national financial assurance guidance in relation to risk assessment. We would commend the approach taken in providing the IJB members with an overall view of financial risks. “

Certification

The Annual Internal Audit report for 2015/16 notes that the IJB had adequate and effective internal controls in place proportionate to its responsibilities. In addition no concerns were raised around the consistency of the governance statement with the outcomes of their work.

It is our view that as far as possible the IJB has established an acceptable level of internal control, risk management and corporate governance framework on which it will develop and improve during 2016/17. This will include arrangements for Freedom of Information requests and records management; review of corporate support requirements; a review of compliance with the integration scheme; development of a code of corporate governance and training for members therein; further development of clinical, care and professional governance arrangements.

Robert Packham
Chief Officer
Perth & Kinross IJB
26 August 2016

Dave Doogan
Chair
Perth & Kinross IJB
26 August 2016

STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

The Integration Joint Board Responsibilities

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

I confirm that these Annual Accounts were approved for signature by the Integration Joint Board at its meeting on 26 August 2016.

Signed on behalf of Perth and Kinross Integration Joint Board

Dave Doogan
Chair
Perth and Kinross IJB
26 August 2016

The Chief Finance Officer's Responsibilities

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

In preparing the Annual Accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with legislation.
- Complied with the Local Authority Accounting Code (in so far as it is compatible with legislation).
- Kept adequate 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 statement of accounts give a true and fair view of the financial position of the Integration Joint Board at the reporting date and the transactions of the Integration Joint Board for the period ended 31 March 2016.

Jane M Smith
Chief Finance Officer
Perth & Kinross IJB

26 August 2016

REMUNERATION REPORT

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

In accordance with this requirement this report sets out:-

- The number of employees whose remuneration was in excess of £50,000 per annum;
- The remuneration and pension rights of senior employees.

Voting Members

Voting IJB members constitute councillors nominated as board members by constituent authorities and NHS representatives nominated by the NHS Board. The voting members of the Perth & Kinross IJB were appointed through nomination by NHS Tayside and Perth & Kinross Council.

Voting board members do not meet the definition of a 'relevant person' under legislation. However, in relation to the treatment of joint boards, Finance Circular 8/2011 states the best practice is to regard Convenors and Vice Convenors as equivalent to Senior Councillors. The Chair and Vice Chair of the IJB should therefore be included in the IJB remuneration report if they receive remuneration for their roles. For Perth & Kinross IJB, neither the Chair or Vice Chair receive remuneration for their roles.

The IJB does not pay allowances or remuneration to voting members: voting board members are remunerated by their relevant IJB partner organisation.

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

IJB Chief Officer

The appointment of an IJB Chief Officer is required by section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014. The IJB is not however empowered to directly employ the Chief Officer, therefore the contract of employment must be with one of the partner organisations. Given the specific legal requirement to appoint a Chief Officer and the special legal regime that applies to the employment contract arrangements, for the purposes of the Remuneration Report, the IJB Chief Officer should be regarded as an employee of the IJB.

For Perth & Kinross IJB, the Chief Officer is therefore treated as an employee of the IJB, although their contract of employment is with NHS Tayside, with their post funded by the IJB. The statutory responsibility for the Chief Officer's employer pension liabilities rests with NHS Tayside.

REMUNERATION REPORT (Continued)**Remuneration of Senior Employees**

The Following table provides details of the remuneration paid to Perth and Kinross IJB's Senior Officers. For 2015/16 this is the Chief Officer only.

Name and Post Title	Salary, Fees and Allowances	Total Remuneration 2015/16	Total Remuneration 2014/15
Senior Employee	£	£	£
R Packham Chief Officer	52,011	52,011	0

Note: R. Packham remuneration from 3 October 2015

Pension benefits – Senior Employees

The pension entitlements of senior employees for the period to 31 March 2016 are shown in the table below, together with the contribution made by NHS Tayside (as the employer) to each senior employee's pension during the period. The senior employee shown in the table is a member of the NHS Superannuation Scheme and the accrued pension benefit figures shown are those that the individual has accrued as consequence of their total NHS, in whichever post(s), with Perth and Kinross IJB or has transferred into the Fund from another employer.

Post	Senior Employee	In Year Pension Contributions paid by NHS Tayside to the Pension Fund Year to 31/3/16	In Year Pension Contributions paid by NHS Tayside to the Pension Fund Year to 31/3/15	Accrued Pension Benefit at 31/3/16	Accrued Pension Benefit at 31/3/16 lump sum	Accrued Pension Benefit movement from 31/3/15	Accrued Pension Benefit movement from 31/3/15 lump sum
		£	£	£	£	£	£
Chief Officer	Rob Packham	6,059	N/A	20,493	61,479	1,160	3,479
Total	TOTAL	6,059	N/A	20,493	61,479	1,160	3,479

Robert Packham
Chief Officer
Perth & Kinross IJB

26 August 2016

Dave Doogan
Chair
Perth & Kinross IJB

26 August 2016

INDEPENDENT AUDITOR’S REPORT

Independent auditor’s report to the members of Perth & Kinross Integration Joint Board and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Perth & Kinross Integration Joint Board for the period ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, and the related notes. 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 2015/16 (the 2015/16 Code).

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 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 Perth & Kinross Integration Joint Board 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. In addition, I 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 me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2015/16 Code of the state of the affairs of Perth & Kinross Integration Joint Board as at 31 March 2016 and of the income and expenditure of Perth & Kinross Integration Joint Board for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 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.

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the period for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement 2015/16 has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Stephen Boyle
Assistant Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

26 August 2016

Movement in Reserves Statement
For the Period Ended 31 March 2016

	Total Usable Reserves	Accumulated Absences Unusable Reserves	Total Perth & Kinross IJB Reserves
	£	£	£
Deficit on provision of services	(2,221)	0	(2,221)
Total Comprehensive Income and Expenditure	(2,221)	0	(2,221)
Adjustments between accounting basis & funding basis under regulations	2,221	(2,221)	0
Balance at 31 March 2016 carried forward	0	(2,221)	(2,221)

Comprehensive Income and Expenditure Statement

For the Period Ended 31 March 2016

	2015/16		
	Gross Exp £	Gross Income £	Net (Income) / Exp £
Corporate & Democratic Core	96,247	0	96,247
Cost of Services	96,247	0	96,247
Taxation and Non-Specific Grant Income		(94,026)	(94,026)
(Surplus)/Deficit on provision of Services	96,247	(94,026)	2,221
Total Comprehensive Income and Expenditure			2,221

Balance Sheet

For the Period Ended 31 March 2016

	As at 31 March 2016 £
Short term Debtors	5,000
Current Assets	5,000
Short Term Creditors	(7,221)
Current Liabilities	(7,221)
Net Assets/Liabilities	(2,221)
Fund Balances and Unusable Reserves:	
Accumulated Absence	(2,221)

The unaudited accounts were issued for audit on the 30 June 2016 and the audited accounts were authorised for issue on the 26 August 2016

Jane M Smith CA
Chief Finance Officer
Perth & Kinross IJB

26 August 2016

NOTES TO THE STATEMENT OF ACCOUNTS

General Principles

The Annual accounts summarise the IJB's transactions for the 2015/16 financial year and its position at the period end of 31 March 2016. The IJB is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 2014, with Section 12 of the Local Government in Scotland Act 2003 requiring them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of Income and Expenditure

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

Provisions

Provisions are made where an event has taken place that gives the Board a legal or constructive obligation that is likely to require settlement by a transfer of economic benefits or service potential and where a reliable estimate can be made of the amount of the obligation. For instance, the Board may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Board becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision within the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service where there is certainty that reimbursement will be receivable if the Board settles the obligation.

NOTES TO THE STATEMENT OF ACCOUNTS (Continued)

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Board a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Board.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Events After the Reporting Period

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

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

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

Value Added Tax (VAT)

The IJB is not VAT registered however for expenditure incurred on behalf of the IJB by partners; 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.

NOTES TO THE STATEMENT OF ACCOUNTS (Continued)

Where Perth and Kinross 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. Where the NHS is the provider, expenditure incurred will include irrecoverable VAT as generally the NHS cannot recover VAT paid as input tax and NHS Tayside will charge the full cost to the IJB.

Accounting Standards Issued not Adopted

The code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 code:

- Amendments to IAS 19 *Employee Benefits* (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Amendment to IFRS 11 *Joint Arrangements* (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012 – 2014 Cycle
- Amendment to IAS 1 *Presentation of Financial Statements*
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.

The code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 financial statements.

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the IJB when there is reasonable assurance that:-

- the IJB will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the IJB are not credited to the Comprehensive Income and Expenditure Account until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or

NOTES TO THE STATEMENT OF ACCOUNTS (Continued)

service potential must be returned to the person or body providing the grant or contribution.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants / contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

For 2015/16 income received from NHS Tayside and Perth & Kinross Council to support costs of services is treated as a “Capital Grant and Contribution”.

Overheads and Support Services

For the financial year 2015/16 all corporate support services provided by NHS Tayside and Perth & Kinross Council, and as described in the IJB’s Integration Scheme, are provided without charge by NHS Tayside and Perth & Kinross Council.

Clinical and Medical Negligence

The IJB is a member of the CNORIS (Clinical Negligence and other Risks Indemnity Scheme). Under this arrangement, the IJB is responsible for meeting negligence claims up to a certain threshold. Costs above the threshold are reimbursed to the IJB from a central fund as part of the CNORIS arrangements.

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

Movement in Reserves Statement

For 2015/16 the IJB holds no usable reserves. Adjustment was made involving the Accumulating Compensated Absences Adjustment Account. The amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.

Employee Benefits

Benefits Payable During Employment

NOTES TO THE STATEMENT OF ACCOUNTS (Continued)

Short-term employee benefits, such as wages and salaries, paid annual leave and paid sick leave and any non-monetary benefits for current employees are recognised as an expense in the year in which employees render service to the IJB. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the period end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed from the General Fund Balance by crediting the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

Balance Sheet – Unusable Reserves**Accumulating Compensated Absences Adjustment Account**

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2015/16 £
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2,221)
Balance at 31 March	(2,221)

External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors (Audit Scotland):

	2015/16 £
Fees payable to (external auditors) with regard to external audit services carried out by the appointed auditor for the year	5,000

NOTES TO THE STATEMENT OF ACCOUNTS (Continued)

Related Parties

The IJB is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the IJB or to be controlled or influenced by the IJB. Disclosure of these transactions allows readers to assess the extent to which the IJB might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the IJB.

Scottish Government

The Scottish Government has significant influence over the general activities of the IJB – it is responsible for providing the statutory framework within which the IJB was constituted and will operate, through NHS Tayside and Perth & Kinross Council provides the majority of its funding and prescribes the terms of many of the transactions that the IJB has with other parties (e.g. Perth & Kinross Council, NHS Tayside).

Members

Members of the IJB Board have control over the IJB's financial and operating policies to the extent they are transacted through the IJB.

Other Public Bodies (subject to common control by Scottish Government)

The IJB undertakes material transactions with Perth & Kinross Council and NHS Tayside. Transactions and balances outstanding are detailed in Tables 1 & 2 below.

Transactions and balances are detailed in Table below :-

Related Parties

During the period, transactions with related parties arose as follows :-

	2015/16 Expenditure £	2015/16 Income £
Other Public Bodies		
Perth & Kinross Council	48,123	(47,013)
NHS Tayside	48,124	(47,013)
Total	96,247	(94,026)

NOTES TO THE STATEMENT OF ACCOUNTS (Continued)

Debtors / Creditors

Amounts at the end of the financial year, either due to or by the IJB, were all in accordance with normal business and there were no material issues as to the question of the amounts being properly due.

	2015/16 Creditors £	2015/16 Debtors £
Other entities and individuals	(7221)	
Perth & Kinross Council	0	2,500
NHS Tayside	0	2,500
Total	(7221)	5,000

Perth & Kinross Integration Joint Board

DRAFT - 2015/16 Annual
Audit Report for members
of Perth & Kinross
Integration Joint Board
and the Controller of Audit

Key contacts

Stephen Boyle, Assistant Director
sboyle@audit-scotland.gov.uk

Neil O'Connor, Senior Auditor
noconnor@audit-scotland.gov.uk

Audit Scotland
4th floor (South Suite)
8 Nelson Mandela Place
Glasgow
G2 1BT

Telephone: 0131 625 1500

Website: www.audit-scotland.gov.uk

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4 Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively (www.audit-scotland.gov.uk/about/).

Stephen Boyle, Assistant Director, Audit Scotland is the engagement lead of Perth & Kinross Integration Joint Board for the year 2015/16.

This report has been prepared for the use of Perth & Kinross Integration Joint Board and no responsibility to any member or officer in their individual capacity or any third party is accepted.

The information in this report may be used for the Accounts Commission's annual overview report on local authority audits published on its website and presented to the Local Government and Regeneration Committee of the Scottish Parliament.

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Key messages

Audit of financial statements

- We have issued an unqualified independent auditor's report on the 2015/16 financial statements.
- The board did not comply with the statutory requirement to give public notice by the 17th June that its unaudited accounts were available for inspection. It subsequently gave the required notice on 28 July. It will need to improve these arrangements next year.
- The accounts presented for audit were not of a sufficient standard, with significant monetary and presentational adjustments required to the unaudited accounts.

Financial management & sustainability

- Overall, the board is in the process of implementing its financial management arrangements to ensure that its financial position is sustainable.
- The board set its 2016/17 budget in advance of confirmation of the settlement from NHS Tayside.
- The 2016/17 budget was agreed in March 2016 however the funding was considered insufficient to meet the board's requirements. The recovery plan agreed in July 2016, as part of the financial assurances update, identified savings however the funding remained insufficient. The board therefore invoked the risk sharing agreement whereby responsibility for meeting overspends lies with the partner delivering the service.
- Regular budgetary monitoring reports are required however as this is the first few months of the board being operational these have yet to be reported to the board.

Governance & transparency

- Overall the board have appropriate governance arrangements in place to provide a framework for effective organisational decision making. These arrangements continue to develop with the board being operational from 1 April 2016.



Best Value

- The board are committed to the integration agenda and have made good progress to date.
- The strategic plan outlines the board's aims, visions and priorities for the next three years.
- The board has approved a performance management framework as required by the Public Bodies (Joint Working) (Scotland) Act 2014.
- The board has yet to fully develop performance measures aligned to the strategic plan.



Outlook

- The board will continue to operate in a period of austerity with reduced funding in real terms, increasing cost pressures and a growing demand for services. All integration authorities need to continue to shift resources, including the workforce, towards a more preventative and community based approach.
- Developing and implementing workforce strategies which enable the redesign of health and care services to meet future needs will be challenging. Current difficulties in recruiting and retaining staff will heighten this challenge.
- It is important that the board can demonstrate that these changes, which may take several years to fully evolve, is making a positive impact on service users and improving outcomes.

Introduction

1. In October 2015 the Accounts Commission approved the appointment of Audit Scotland's Audit Services Group as external auditors of Perth & Kinross Integration Joint Board (the board). Our audit appointment is for one year, covering the 2015/16 financial year, the first accounting period for which the board is required to prepare financial statements.
2. This report is a summary of our findings arising from the 2015/16 audit of the board. The report is divided into sections which reflect our public sector audit model.
3. The management of the board is responsible for:
 - preparing financial statements which give a true and fair view
 - implementing appropriate internal control systems
 - putting in place proper arrangements for the conduct of its affairs
 - ensuring that the financial position is soundly based.
4. Our responsibility, as the external auditor of board, is to undertake our audit in accordance with international standards on auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
5. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements; this does not relieve management of their responsibility to prepare financial statements which give a true and fair view.
6. [Appendix I](#) lists the audit risks that we identified in the annual audit plan we issued in March 2016. It also summarises the assurances provided by management to demonstrate that risks are being addressed and the conclusions of our audit work. [Appendix II](#) lists the reports we issued to the board during the year. A number of national reports have been issued by Audit Scotland during the course of the year. These reports, summarised at [Appendix III](#), include recommendations for improvements.
7. [Appendix IV](#) is an action plan setting out our recommendations to address the high level risks we have identified during the course of the audit. Officers considered the issues and agreed to take steps to address them. The board should ensure it has a mechanism in place to assess progress and monitor outcomes.
8. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
9. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

10. From 2016/17 the auditor of the board will be KPMG. In accordance with agreed protocols and international standards on auditing we will be liaising with the incoming auditors as part of this transition.
11. A new Code of Audit Practice was published in May 2016 will apply to all audits from financial year 2016/17. This will focus the audit on four key areas:
 - financial sustainability
 - financial management
 - governance and transparency; and
 - value for money
12. In addition from 2016/17, as well as the annual audit report, other significant outputs, such as the annual audit plan, will be published on Audit Scotland's website.

Audit of the 2015/16 financial statements

Submission of financial statements for audit

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13. The Public Bodies (Joint Working) (Scotland) Act 2014 specifies that Integration Joint Boards (IJBs) should be treated as if they were bodies falling within section 106 of the Local Government (Scotland) Act 1973. The financial statements of the board should therefore be prepared in accordance with the 1973 Act and the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
 14. We received the unaudited financial statements of the board on 30 June 2016, in accordance with the agreed timetable. The Local Authority Accounts (Scotland) Regulations 2014 requires bodies covered by the regulations, including the board, to:
 - give public notice by the 17th June of the right of interested persons to inspect and object to its accounts and is required to publish this notice on its website during the period of objection
 - to publish on its website a copy of the annual accounts submitted to the auditor, clearly identified as an unaudited version
 - require elected members to consider the unaudited accounts at a meeting no later than 31 August
 15. We informed officers that they had not placed a public notice and were required to do so, before the financial statements were due to be considered for approval by the board at its August meeting. The public notice for the board was published on 28 July 2016 through Perth & Kinross Council's website. The board therefore did not comply with its statutory requirements.

Appendix IV – Action plan no. 1
 16. The regulations also require elected members to consider the unaudited accounts at a meeting no later than 31 August. The board considered the unaudited accounts at its meeting on 1 July. It is considered best practice for elected members charged with governance to have formally considered the unaudited annual accounts prior to submitting them to the auditor, and making them available for public inspection. The board should consider moving to a position of best practice.
 17. This represents the first year in which the board had to produce financial statements and as such we recognised this risk in our annual audit plan. The unaudited annual accounts were not of the required standard and required significant adjustments to ensure there were no material misstatements following the audit in 2015/16 including:
 - recognising assets/liabilities in the balance sheet
 - identifying reserve balances and completing a movement on reserves statement
 - significant changes in both the income and expenditure recognised in the annual accounts

18. Finance staff provided good support to the audit team which assisted the delivery of the audit by the deadline.

Overview of the scope of the audit of the financial statements

19. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our annual audit plan presented to the Perth & Kinross Integration Joint Board in March 2016.
20. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2015/16 agreed fee for the audit was set out in the annual audit plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
21. The concept of audit risk is central to our audit approach. We focus on those areas that are most at risk of causing material misstatement in the financial statements. In addition, we consider what risks are present in respect of our wider responsibility, as public sector auditors, under Audit Scotland's Code of Audit Practice.
22. During the planning phase of our audit we identified a number of risks and reported these to you in our annual audit plan along with the work we proposed doing in order to obtain appropriate levels of assurance. [Appendix I](#) sets out the significant audit risks identified and how we addressed each risk.

23. Our audit involved 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.

Going concern

24. The financial statements were prepared on the going concern basis. Although the board approved its 2016/17 budget in advance of the health board's budget being agreed we do not feel this matter or any other events or conditions cast significant doubt on the board's ability to continue as a going concern, in light of the existence of the risk sharing agreement between the partners.

Materiality

25. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).
26. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

27. We summarised our approach to materiality in our annual audit plan. Based on our knowledge and understanding of the board we set our planning materiality for 2015/16 at £1,100 (or 1% of gross expenditure). Performance materiality was calculated at £990, to reduce to an acceptable level the probability of uncorrected and undetected audit differences exceeding our planning materiality level. Additionally, we set a misstatement threshold of £50 (approximately 5% of planning materiality) for reporting errors.
28. On receipt of the financial statements and following completion of audit testing we reviewed our materiality levels and concluded that our original calculations remained appropriate.

Evaluation of misstatements

29. All misstatements identified during the audit which exceeded our misstatement threshold have been amended in the financial statements. The audit also identified some presentational adjustments which were discussed and agreed with management. The main adjustments are detailed in Table 1 below.

Significant findings from the audit

30. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:
- The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting

policies, accounting estimates and financial statement disclosures.

- Significant difficulties encountered during the audit.
- Significant matters arising from the audit that were discussed, or subject to correspondence with management.
- Written representations requested by the auditor.
- Other matters which in the auditor's professional judgment are significant to the oversight of the financial reporting process.

31. During the course of the audit we identified significant issues that, in our view, require to be communicated to you. Table 1 below details those issues or other audit judgements that, in our view require to be communicated to those charged with governance in accordance with ISA 260.

Table 1: Significant findings from the audit

Significant findings from the audit in accordance with ISA260	
62	<p>Liabilities</p> <p>No balance sheet or reserves were recognised in the unaudited accounts. The audit identified liabilities in respect of a holiday pay accrual of £2,221 and the audit fee of £5,000. Statutory guidance requires the creation of an Employee Statutory Adjustment Account (ESAA) to mitigate the impact of the holiday pay accrual. The accounts have been updated to reflect these liabilities appropriately resulting in:</p> <ul style="list-style-type: none"> • a deficit of £2,221 being recognised in the comprehensive income and expenditure statement • a balance sheet recognising a creditor of £7,221 and a debtor of £5,000 for the funding arrangements with partners for the payment of the audit fee • movement in reserves statement recognising the mitigation of the impact of the holiday pay accrual through the ESAA
	<p>Recognition of expenditure</p> <p>Costs of £16,161 prior to the board’s establishment, on 3 October 2015, were incorrectly recognised in the unaudited accounts. These costs included the chief officer’s staff costs prior to the establishment of the board 3 October 2015.</p> <p>The expenditure and matching income from the board’s partners have now been excluded from the annual accounts and the remuneration report has been updated to reflect the amounts due by the board during 2015/16.</p>
	<p>Services in kind</p> <p>LASAAC’s <i>Additional guidance on accounting for the integration of health and social care 2015/16</i> issued in September 2015 highlights that where there is clear evidence that the support or services have been provided free of charge by a partner that the costs would not feature in the board’s accounts. The guidance also suggests that the board could indicate in a note to the accounts the scale of support if material to the board.</p> <p>The integration scheme highlights that initially the partners will not charge the board for services provided for financial accounting support. These costs (services in kind) therefore have not featured in the board’s 2015/16 annual accounts but there has been no disclosure of the scale of the services provided. To provide transparency we recommended that additional disclosures are made.</p> <p style="text-align: right;">Appendix IV – Action Plan No. 2</p>

Other information

32. We also review and report on other information published with the financial statements, including the management commentary, annual governance statement and the remuneration report. We consider whether these reports have been properly prepared, comply with extant guidance and are consistent with the financial statements. We report any material errors or omissions, any material inconsistencies with the financial statements or any otherwise misleading content.
33. We have nothing to report in respect of the other information published as part of the annual accounts.

Outlook

Health and Social Care Integration

34. The board became fully operational on 1 April 2016 when delegated services transferred from NHS Tayside and Perth & Kinross Council. Therefore, the financial results of integration joint board will require to be consolidated into the councils and health board's accounts in 2016/17.
35. The board will have to ensure that procedures are in place for it to provide financial and non-financial information by a mutually agreed date to allow the council and health board to meet their statutory reporting obligations. In addition, the integration board will need to consider what assurances they are required to provide to the council and health board to support disclosures in their annual governance statements.

Financial management and sustainability

Financial management and sustainability

36. In this section we comment on the board's financial performance and assess its financial management arrangements.
37. Financial sustainability means that the board has the capacity to meet its current and future plans. In assessing financial sustainability we are concerned with whether:
- spending is being balanced with income in the short term
 - long-term financial pressures are understood and planned for.
38. The board does not have any assets, nor does it directly incur expenditure or employ staff, other than the chief officer. All funding and expenditure relating to services managed by the board are incurred by the stakeholder parties and processed in their accounting records.

Financial performance 2015/16

39. The board was established in October 2015 and became operational on 1 April 2016. Therefore only corporate management cost (activities and costs that relate to the general running of the authority that provide the infrastructure that allows services to be

provided) were recognised in the board's financial statements during 2015/16.

40. The board did not agree a budget for 2015/16 and did not monitor the actual cost incurred (including the value of services in kind provided by its partners). The board hold no information on the value of the services of kind provided by its partners during 2015/16.

Appendix IV – Action plan no. 2

41. The integration scheme highlights that corporate management costs are shared by the partners therefore expenditure in the period was matched by income from its partners. The corporate management expenditure met by the partners in 2015/16 was £94,026.
42. The financial performance report considered by the board in March 2016 was in relation to the services to be delegated following the board becoming operational. The financial arrangements in relation to 2016/17 onwards are documented below.

Financial management arrangements and planning

43. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
- the chief financial officer has sufficient status to be able to deliver good financial management
 - standing financial instructions and standing orders are comprehensive, current and promoted within the board

- reports monitoring performance against budgets are accurate and provided regularly to budget holders
- monitoring reports do not just contain financial data but are
- linked to information about performance
- board members provide a good level of challenge and question budget holders on significant variances.

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44. The board confirmed the appointment of a chief finance officer in January 2016. The chief finance officer is responsible for ensuring that appropriate financial services are available to the board and the chief officer.
 45. The board at its first meeting in November 2015 agreed its standing orders. A scheme of delegation and financial regulations were agreed by the board in March 2016. Internal audit concluded that the control standards expected to be seen at this stage of the development of the board were in place.
 46. To ensure these governance documents remain fit for purpose they are subject to regular review where the board's arrangements develop. For instance changes to the standing orders were agreed as part of the establishment of an Audit & Performance Committee in July 2016.
 47. The integration scheme sets out the agreed arrangements of the board in such areas as governance and local delivery arrangements and also outlines the functions which are to be delegated. The Strategic Commissioning Plan outlines the baseline budget for these

delegated functions and these budgets were subject to due diligence and comparison to actual expenditure in previous years.

48. Internal audit's report *Financial Assurance* was considered by the board in March 2016 and concluded that in their opinion that:

the due diligence processes undertaken on the initial sums for the integrated budget (i.e. exempting the Large Hospital Set Aside) comprehensively covered the requirements of the national financial assurance guidance. The information provided to the Perth & Kinross Integration Joint Board (IJB) at its November 2015 meeting and concluding in the January and February 2016 development events provided a full and detailed picture of the financial position of the budgets in scope. In addition, in our opinion, the due diligence and summary of risks reports met all the requirements of the national financial assurance guidance in relation to risk assessment. We would commend the approach taken in providing IJB members with an overall view of financial risks.

49. No conclusion was drawn by internal audit on the large hospital set aside as the board had not yet received financial assurance information for this budget. The hosted services are also subject to agreement with a memorandum of understanding currently being developed across the Tayside area.
50. The board in March 2016 considered the financial forecast for 2015/16 of the services to be devolved by the council and NHS Tayside board. This highlighted the expectation of a £1.6 million overspend.

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51. The integration scheme sets out the arrangements for addressing and financing any overspends or underspends. Underspends may be retained by the board to either fund additional in year capacity, or be carried forward to fund capacity in future years. Alternatively, these can be returned to the partner bodies. Where there is a forecast overspend the partner bodies must agree a recovery plan to balance the budget. Where this plan is insufficient in the first two years the overspend will be met by the partner with operational responsibility.
 52. The council budget was set on 11 February 2016. This provided confirmation around the council element of the board funding for 2016/17. NHS Tayside's budget for 2016/17 was not formally set in time for the beginning of the financial year. The board's budget was therefore provisionally agreed in advance of confirmation of the settlement from NHS Tayside. During the intervening period the board in March 2016 considered a report on the proposed budget offers by Perth & Kinross Council and NHS Tayside totalling £191.2 million. Of this total £17.7 million was indicative as it related to the NHS large hospital set asides that had yet to be agreed.
 53. This paper highlighted that the chief finance officer could not recommend to the board that the resources to be delegated by NHS Tayside were adequate. To allow the budget to be set it was agreed that officers in partnership with NHS Tayside would develop a financial recovery plan for these areas.
 54. A financial assurance update in July 2016 presented the recovery plan and approved the savings and cost reduction plans identified to date. However officers highlighted that the budget to be devolved still could not be considered sufficient with £2 million savings in 2016/17 yet to be identified.
 55. The board therefore agreed to invoke the risk sharing agreement outlined in the Integration Scheme, whereby responsibility for meeting overspends lies with the partner delivering the service (in this case NHS Tayside).
 56. The integration scheme highlights that financial reports will be considered by the board on a timely basis, at least quarterly, and include as a minimum annual budget, full year outturn projection and commentary on material variances.
 57. The financial assurances update presented in July 2016 gave commentary on elements of the annual budget and material variances, including assessment of the savings identified and gaps to be addressed. The savings identified were a work in progress and had some areas that required further information particularly on the impact and risk analysis (impact on workforce, customer, equality, outcomes) to allow members to assess the impact of any savings agreed.
- Appendix IV – Action plan no. 3**
58. It is too early to assess their effectiveness of the financial monitoring procedures with the first budget monitoring reports yet to be considered by members.

59. As auditors we attend a number of board meetings. Members challenged and question officers on the information provided in relation to the budget set and the impact of savings identified.

Conclusion on financial management and sustainability

60. Overall the board requires to continue to improve its financial management arrangements to:
- provide members with assurance that the budget set is adequate to allow services to be provided as part of the budget setting process prior to the commencement of the year
 - provide details of projected spend for the year against budget
 - provide details of the impact on services on the savings identified/required
61. While there were well documented reasons why the board required to set an interim working budget for 2016/17, there are risks to service delivery when operating without an agreed budget.
62. The interim budget agreed is considered by the board to be insufficient in relation to the services to be provided. The recovery plan considered in July 2016 outlines that £2 million of savings in 2016/17 are yet to be identified. Whilst the partners agree to meet this potential shortfall the financial sustainability of the board is reliant on the recovery plans being implemented.

Outlook

63. NHS boards and councils have faced several years of financial constraints and this is expected to continue in the coming years. The ageing population and increasing numbers of people with long term conditions and complex needs have already placed significant pressure on health and social care budgets. This puts further pressure on finances.
64. Strategic plans, while setting out the broad direction, will need to be clear regarding the board's priorities and the financing and staff that will be available over the longer term to match these priorities. It is important that they provide detail on the level of resources required in each key area and how they will shift resources towards preventative and community based care.
65. The board has set a budget for 2016/17 and developed a financial recovery plan. The recovery plan is dependent on achieving efficiency savings each year to bridge the gap between available funding from current sources and the cost of services. The board will need to demonstrate the impact on services of these planned efficiencies.

Governance and transparency

66. Good governance is vital to ensure that public bodies perform effectively. This can be a particular challenge in partnerships, with board members drawn from a wide range of backgrounds.
67. *The Public Bodies (Joint Working) (Scotland) Act* received royal assent on 1 April 2014. This Act provided the framework for the integration of health and social care services in Scotland. An integration scheme has been agreed and the *Public Bodies (Joint Working) (Integration Joint Board Establishment) (Scotland) Amendment (No. 3) Order 2015* established Perth & Kinross Integration Joint Board on 3 October 2015.
68. The integration scheme between Perth & Kinross Council and NHS Tayside sets out the key governance arrangements. It also sets out the requirement to identify and collate a core set of indicators and measures which relate to integrated functions to enable the reporting of performance targets and improvement measures.
69. The board are responsible for establishing arrangements for ensuring the proper conduct of the affairs of Perth & Kinross Integration Joint Board and for monitoring the adequacy of these arrangements.
70. The board comprises a wide range of service users and partners including four elected councillors nominated by the council and four Directors nominated by NHS Tayside. The board in July 2016 established an Audit & Performance Committee with specific delegated responsibility over: performance/best value; governance; audit; and standards.
71. The board is supported by a chief officer who provides overall strategic and operational advice to the board, and is directly accountable to the board for all of its responsibilities. The chief officer is also accountable to the chief executives of both the council and NHS Tayside. The chief officer also provides regular reports to both the council and the NHS board.
72. The board met on a regular basis throughout the period. A chief officer was appointed in September 2016. The board at its first meeting in November 2015 agreed its standing orders. A scheme of delegation and financial regulations were agreed by the board in March 2016. To ensure these governance documents remain fit for purpose they are subject to regular review where the board's arrangements develop. Internal audit concluded that the control standards expected to be seen at this stage of the development of the board were in place.
73. Overall the Board have appropriate governance arrangements in place to provide a framework for effective organisational decision making. These arrangements continue to develop with the board being operational from 1 April.

Internal control

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- 74. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
 - 75. Perth & Kinross Council and NHS Tayside are the partner bodies. All financial transactions of the board are processed through the financial systems of the partner bodies and are subject to the same controls and scrutiny of the council and health board, including the work performed by internal audit.
 - 76. Internal audit provides the board with independent assurance on the board's overall risk management, internal control and corporate governance processes.
 - 77. Internal audit's annual report on the board was considered in July 2016. The report highlighted that the board had adequate and effective internal controls in place proportionate to its responsibilities in 2015/16. The report also noted that as well as the ongoing planned developments of the control environment such as: introduction of codes of conduct (now approved in May 2016); development of the performance framework; and review of the management structure that the:

Accountability and responsibilities of the IJB in respect of all governance arrangements should be clarified and agreed by the

IJB and parties and flow through to risk management and assurance arrangements

- 78. We also reviewed the board's budget setting and financial monitoring arrangements and highlighted areas for improvement (refer *financial management and sustainability* section).
- 79. The arrangements continue to be developed and this ongoing process is recognised in that the corporate governance arrangements being highlighted as an area for action through the board's risk register agreed by the board in July 2016.
- 80. In 2016/17 as the board is operational, transactions will be more fluid between the board, the council and NHS Tayside. This provides a challenge to auditors since the annual audit plans of each partner are based on carrying out audit work which may be based on the accounting systems and governance arrangements that relate only to the partner that the auditor is appointed to.

Arrangements for the prevention and detection of fraud and other irregularities

- 81. The board's financial regulations approved in March 2016 note that the board, chief officer and chief finance officer have a duty to inform the council's chief internal auditor and the NHS Counter Fraud Service of any suspicion of fraud, irregularity or any other matter concerning the contravention of the Financial Regulations.

82. Since the board does not directly employ staff, investigations would be carried out by the internal audit service of the partner body where the fraud or irregularity originated.
83. We conclude that the arrangements implemented in 2015/16 board should be effective for fraud detection and prevention.

Arrangements for maintaining standards of conduct and the prevention and detection of corruption

84. The board's standing orders requires that all members must comply with the Standards in Public Life - Code of Conduct for Members of Devolved Public Bodies and declare interests where appropriate. A standards officer was appointed in July 2016 and the register of members' interests is being currently being collated.
85. The board arrangements now established are appropriate with the arrangements currently in the process of being implementation.

Transparency

86. Local residents should be able to hold the board to account for the services it provides. Transparency means that residents have access to understandable, relevant and timely information about how the board is taking decisions and how it is using its resources.
87. The council's website contains relevant information for the public including the integration scheme, strategic commissioning plan,

agendas and minutes of the board meetings. Board meetings are open to the public.

88. Elsewhere within this report we have highlighted specific issues in relation to transparency including:
- the registers of interest are currently being developed
 - the public notice of the availability of the accounts for inspection and objection was not undertaken in line with statutory requirements
 - the unaudited financial statements presentation was amended to provide prominence for the main financial statements
 - the budget monitoring reports should provide details of projected spend against budget
89. We have not encountered any evidence to suggest that information is routinely and unjustifiably withheld from public scrutiny.
90. As part of the commitment to openness and transparency the board should consider whether to set up its own web site. For example, presently the location of the minutes of the board appear as though it were a committee of the council.
91. Overall we concluded that the board is open and transparent although we believe that there are some areas where improvements to the current arrangements could be made.

Outlook

92. The board faces continuing challenges on a number of fronts including mounting financial challenges, meeting exacting performance targets, and delivering the Scottish Government's aim of having people living longer and healthier lives at home or a homely setting (i.e. the 2020 Vision).
93. The design of boards brings the potential for real or perceived conflicts of interest for board members and senior managers. Partners need to be clear regarding how governance arrangements will work in practice, particularly when disagreements arise. This is because there are potentially confusing lines of accountability, which could hamper the board's ability to make decisions about the changes involved in redesigning services. The public may also be unclear who is ultimately responsible for the quality of care.
94. Embedding robust governance arrangements will be an essential element in meeting these challenges and maintaining accountability. All stakeholders including patients, clinicians, carers, the public, staff, partner bodies and the Scottish Government, benefit from the assurance and confidence a good governance regime brings.

Best value

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95. The Public Bodies (Joint Working) (Scotland) Act 2014 set out a broad framework for creating integration authorities and gave councils and NHS boards a great deal of flexibility to enable them to develop integrated services that are best suited to local circumstances. The integration scheme specifies the wide range of functions delegated by the council and NHS Tayside to the board.
 96. Integration authorities are required to contribute towards nine national health and wellbeing outcomes. These high level outcomes seek to measure the quality of health and social care services and their impact on, for example, allowing people to live independently and in good health, and reducing health inequalities. This signals an important shift from measuring internal processes to assessing the impact on people using health and social care services.
 97. The accountable officers have a specific responsibility to ensure that arrangements have been made to secure best value. Integration authorities need to establish effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives, and holding partners to account. There is also a need for regular reporting to partner organisations.

Arrangements for securing best value

98. The main purpose of integration is to improve the wellbeing 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 Scheme is intended to achieve the National Health and Wellbeing Outcomes prescribed by the Scottish Ministers.

99. The Community Plan / Single Outcome Agreement 2013-23 (SOA) sets out the community planning partnership's commitment to public service reform. The strategic objectives in the SOA are:
 - giving every child the best start in life
 - developing educated, responsible and informed citizens
 - promoting a prosperous, inclusive and sustainable economy
 - supporting people to lead independent, healthy and active lives
 - creating a safe and sustainable place for future generations
100. The board in March 2016 approved a joint performance management framework to comply with guidance set out in the Public Bodies (Joint Working) (Scotland) Act 2014. However, performance measures have yet to be developed. As the board was not operational in 2015/16 there is no performance information relevant to that year.

Appendix IV – Action plan no. 4

101. An Audit & Performance Committee has been established with a view to monitoring the performance of the board towards achieving its policy objectives and priorities.
102. We concluded that the board has put in appropriate performance management arrangements as set out in the 2014 Act. However,

these arrangements are still at the early stages of development and a number of core performance measures have yet to be agreed.

National performance audit reports

103. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2015/16, a number of reports were issued which are of direct interest to the board. These are outlined in [Appendix III](#) accompanying this report.
104. The board has processes in place to ensure that all national performance reports and their impact are considered, as appropriate. The chief officer prepares a covering report highlighting the key issues in the national performance reports indicating the board's current position and any actions proposed.
105. Audit Scotland plans to re-visit health and social integration in future years to assess progress and impact.

Outlook

106. Pressures on health and social care services are likely to continue to increase for the foreseeable future. These increasing pressures have significant implications on the cost of providing health and social care services and challenges in ensuring that people receive the right care, at the right time, and in the right setting.
107. The board is responsible for co-ordinating health and social care services and commissioning NHS Tayside and Perth & Kinross Council to deliver services in line with the strategic plan. Over time,

the intention is that this will lead to a change in how services are provided, with a greater emphasis on preventative services and allowing people to receive care and support in their home or local community.

108. The board will need to continue to demonstrate and report whether this is making a positive impact on service users and improving outcomes. To help achieve this it is important that the board has strategies covering the workforce, risk management, engagement with service users, and data sharing arrangements which help to enable delivery of the board's strategic priorities.

Appendix I: Significant audit risks

The table below sets out the audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion

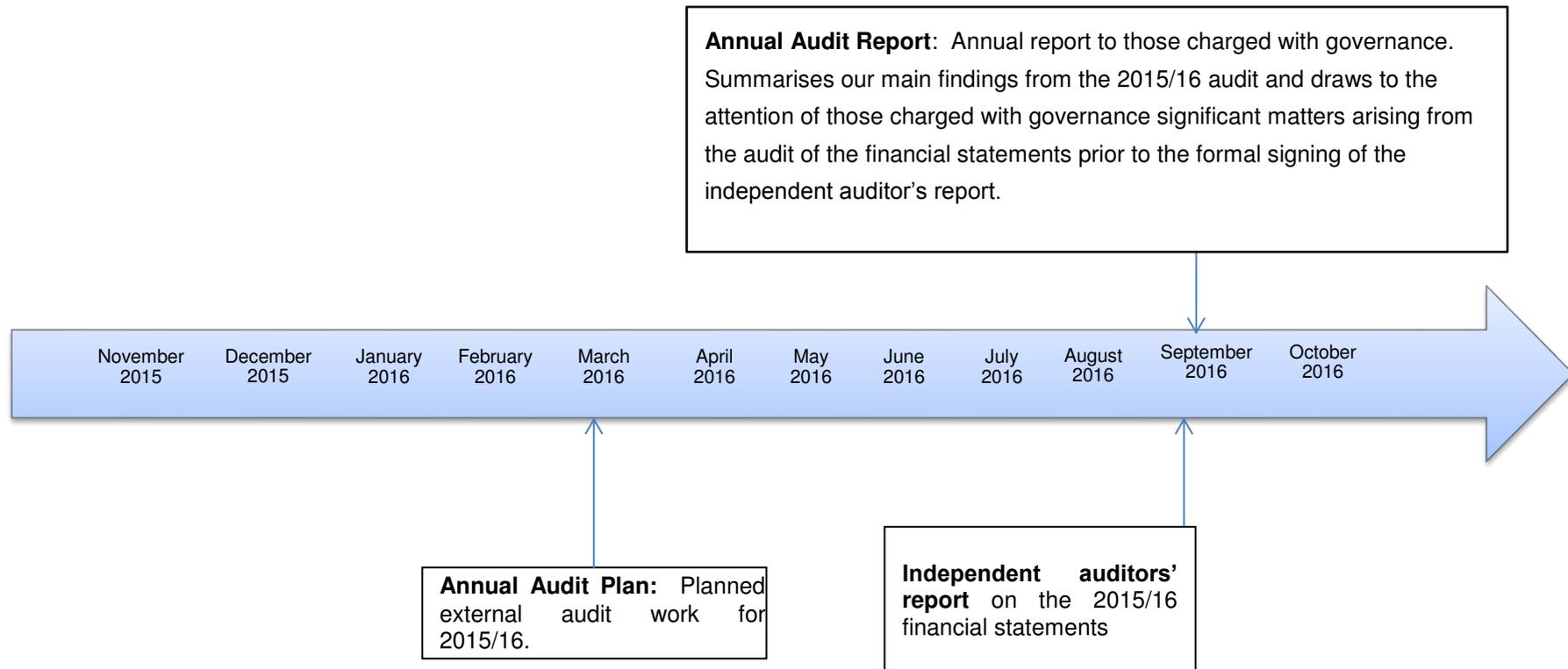
Audit Risk	Assurance procedure	Results and conclusions
Risk of material misstatement in the financial statements		
<p>Financial Statements</p> <p>The financial statements for the board have to be prepared for the first time in 2015/16 for the period from October 2015. The financial statements are required to be prepared in accordance with relevant legislation and the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).</p> <p>The board is a new body and may not yet have the processes and procedures in place to provide the required financial information.</p> <p><i>Risk: Financial statements disclosures and supporting working papers will not be prepared to the required quality and by agreed timescales.</i></p>	<p>Review the board’s arrangements to ensure the proper conduct of its financial affairs.</p>	<p>Refer <i>Audit of the 2015/16 financial statements</i> section.</p> <p>The accounts presented for audit were not of a sufficient standard, with significant monetary and presentational adjustments required to the unaudited accounts.</p> <p>Appropriate adjustments to the accounts have been made to ensure compliance with the Code with an unqualified independent auditor’s report issued.</p>

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Audit Risk	Assurance procedure	Results and conclusions
<p>The Local Authority Accounts (Scotland) Regulations 2014</p> <p>The regulations stipulate that unaudited accounts are required submitted to external audit no later than 30 June and to be considered by the board by 31 August. The regulations also require that the audited accounts approved by the board by 30 September.</p> <p>Scottish Government guidance indicates that the board is also expected to provide financial and non-financial information so that NHS Tayside can meet its statutory reporting obligations.</p> <p><i>Risk: Regulation deadlines are not met or the required information is not supplied to NHS Tayside by the agreed date.</i></p>	<p>Confirm that the appropriate information is being submitted or considered/ approved timeously.</p>	<p>Refer <i>Audit of the 2015/16 financial statements</i> section.</p> <p>The unaudited accounts were submitted timeously and considered by the board on 1 July 2016.</p> <p>The audited accounts were considered for approval on 26 August 2016.</p> <p>The board did not comply with the statutory requirement to give public notice by the 17th June that its unaudited accounts were available for inspection. It subsequently gave the required notice on 28 July. It will need to improve these arrangements next year.</p> <p style="text-align: right;">Appendix IV – Action plan no. 1</p>

Audit Risk	Assurance procedure	Results and conclusions
Risks identified from the auditor’s wider responsibility under the Code of Audit Practice		
<p>Financial, governance and performance framework</p> <p>The Perth & Kinross Integration Joint Board was established in October 2015. The initial meeting of the board was in November 2015 where the overarching governance arrangements were established (including membership and standing orders). The Integration Scheme commits the board to developing a governance and performance framework covering a number of key areas.</p> <p>A budget for the board has yet to be agreed as part of Strategic Plan.</p> <p><i>Risk: Governance and performance arrangements are not fit for purpose.</i></p>	<p>Monitor the implementation of the board’s financial, governance and performance framework and inclusion in the annual audit report as appropriate.</p>	<p>Refer <i>Financial management and sustainability</i> section.</p> <p>Refer <i>Governance and transparency</i> section.</p> <p>Refer <i>Best value</i> section</p> <p>Overall the board have appropriate governance and performance arrangements in place to provide a framework for effective organisational decision making. Many of these arrangements are at an early stage of implementation and continue to develop with the board only being operational from 1 April 2016. For example the board has yet to fully develop performance measures aligned to the strategic plan.</p> <p>The 2016/17 budget was agreed in March 2016 however the funding was considered insufficient to meet the board’s requirements. The recovery plan agreed in July 2016, as part of the financial assurances update, identified savings however the funding remained insufficient. The board therefore invoked the risk sharing agreement whereby responsibility for meeting overspends lies with the partner delivering the service.</p> <p style="text-align: right;">Appendix IV – Action plan nos. 2, 3 and 4</p>

Appendix II: Local audit reports



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Appendix III: Audit Scotland national reports

Reshaping care for older people – impact report (February 2016).
This report looked at the extent to which care for older people has shifted towards communities and away from hospitals and care homes. The report considered whether the Change Fund was helping to improve care for older people in ways that can be sustained. It also examined the challenges facing organisations that deliver services for older people and how well they are meeting them.

Changing models of health and social care report (March 2016):
This report says that transformational change is required to meet the Scottish Government’s vision to shift the balance of care to more homely and community-based settings. NHS boards and councils need to significantly change the way they provide services and how they work with the voluntary and private sectors.



Health and Social Care Integration (December 2015): This report reviewed the progress made to establish new integration authorities, which will be responsible for planning joint health and social care services and managing budget totalling over £8 billion by 1 April 2016. The report highlights that significant risks must be addressed if a major reform of health and social care is to fundamentally change how services are delivered and improve outcomes for the people who use them.

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Appendix IV: Action plan

No.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
1.	15	<p>The Local Authority Accounts (Scotland) Regulations 2014 require the board to publish on its website:</p> <ul style="list-style-type: none"> • a copy of the annual accounts submitted to the auditor, clearly identified as an unaudited version • a public notice of the right of interested persons to inspect and object to its accounts • the audited annual accounts by 31 October • the annual audit report by 31 December. <p>The public notice was not completed within statutory deadlines and was only published through Perth & Kinross Council's website on 28 July 2016.</p> <p>Risk</p> <p><i>The board did not comply with the 2014 Regulations.</i></p> <p>Recommendation</p> <p>The board should ensure compliance with the publication requirements of the 2014 regulations and ensure its website is updated timeously with the required information.</p>	Agreed	Chief Finance Officer March 2017

No.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
2.	31, 40	<p>The board did not agree a budget for 2015/16 and did not monitor the actual cost incurred (including the value of services in kind provided by its partners).</p> <p>The budgets for 2016/17 was agreed in March 2016 however some elements remain to be agreed. The financial assurances report was considered by the board in July giving an update on the budget setting process however the first budget monitoring reports for 2016/17 have yet to be considered.</p> <p>Risk</p> <p><i>The board's finances are not transparent.</i></p> <p>Recommendations</p> <p>The budget should be established and agreed prior to the commencement of the year and monitored regularly throughout the year.</p> <p>To provide transparency and allow members to be aware of the full cost of the service the board should establish the cost of services in kind provided by partners.</p>	<p>The Chief Finance Officer will work collaboratively with NHS Tayside and Perth & Kinross Council to align budget setting timetable to support delivery of three year budget by 31 March each year.</p> <p>The Chief Finance Officer will work collaboratively with NHS Tayside and Perth & Kinross Council to establish a robust basis on which the cost of Corporate Support Services can be valued.</p>	<p>Chief Finance Officer</p> <p>March 2017</p>

No.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
3.	57	<p>The budget agreed in March 2016 highlighted the need to develop a financial recovery plan. The financial recovery plan was agreed in July 2016 however this highlighted that the funding was still considered by officers to be insufficient to meet the board's requirements. The board has therefore invoked the risk sharing agreement whereby responsibility for meeting overspends lies with the partner delivering the service in the first two years.</p> <p>Some of the savings plans (transformation programmes) identified in the financial assurance update still had to detail the potential impact on services.</p> <p>Risk</p> <p><i>The board is unable to fund the services.</i></p> <p>Recommendation</p> <p>The board should continue to develop its recovery plan to address the funding gaps identified.</p>	<p>Agreed</p> <p>All possible efforts continue to be made to identify further saving opportunities and reduced supplementary staffing expenditure. Progress will be reported to the IJB at each meeting.</p>	<p>Chief Finance Officer</p> <p>On-going</p>

No.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
4.	100	<p>The board has approved a performance management framework to comply with guidance set out in the Public Bodies (Joint Working) (Scotland) Act 2014. However, performance measures have yet to be developed.</p> <p>Risk</p> <p><i>The board cannot effectively monitor the delivery of its strategic objectives.</i></p> <p>Recommendation</p> <p>The board should develop and agree key performance measures to be used in monitoring performance against its strategic objectives.</p>	<p>Agreed</p> <p>Work is on-going to agree key performance measures in the first instance they have focused on Capacity and Flow, however a wider framework of key performance measures will be developed for agreement by the board.</p>	<p>Chief Officer</p> <p>November 2016</p>