Council Building
2 High Street
Perth
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20 September 2017

A meeting of the **Audit and Performance Committee of the Perth and Kinross Integration Joint Board** will be held in the **Council Chambers, Ground Floor, Council Building, 2 High Street, Perth** on **Tuesday 26 September 2017** at **12.00pm.**

If you have any queries, please contact Scott Hendry on 01738 475126 or e-mail committee@pkc.gov.uk.

Robert Packham
Chief Officer

Members
Councillor Chris Ahern, Perth and Kinross Council
Councillor Eric Drysdale, Perth and Kinross Council
Bernie Campbell, Carer Public Partner
Linda Dunion, Tayside NHS Board (Chair)
Jim Foulis, Associate Nurse Director, NHS Tayside
Stephen Hay, Tayside NHS Board

AUDIT AND PERFORMANCE COMMITTEE OF THE PERTH AND KINROSS INTEGRATION JOINT BOARD

26 SEPTEMBER 2017

AGENDA

1. Welcome and Apologies

2. Declarations of Interest

   Members are reminded of their obligation to declare any financial or non-financial interest which they may have in any item on this agenda in accordance with the Perth and Kinross Integration Joint Board Code of Conduct.

3. **Minute of Previous Meeting**

3.1 Minute of Meeting of the Audit and Performance Committee of 27 June 2017 (copy herewith) ***(Pages 1-6)***

3.2 Action Points Update – Report by Chief Finance Officer (copy herewith G/17/154) ***(Pages 7-8)***

3.3 Matters Arising

4. **Assurance: Internal Control and Risk Management**

4.1 Chair, NHS Tayside Audit Committee Statement on Governance and Internal Control – Letter by Chair, NHS Tayside Audit Committee (copy herewith G/17/155) ***(Pages 9-10)***

4.2 Chair, Perth and Kinross Council Audit Committee Statement on Governance and Internal Control – Letter by Chair, Perth and Kinross Council Audit Committee (copy to follow)

4.3 Review of Annual Internal Audit Reports: Perth and Kinross Council/NHS Tayside – Report by Chief Finance Officer (copy herewith G/17/156) ***(Pages 11-18)***

4.4 Strategic Risk Framework: Update – Report by Chief Finance Officer (copy herewith G/17/157) ***(Pages 19-22)***

4.5 Appointment of Internal Auditors 2017/18 – Report by Chief Finance Officer (copy herewith G/17/158) ***(Pages 23-24)***

4.6 Internal Audit Plan 2017/18 – Report by Chief Internal Auditor (copy herewith G/17/159) ***(Pages 25-48)***

5. **Annual Accounts**

5.1 Annual Accounts 2016/17 – Report by Chief Finance Officer (copy herewith G/17/160) ***(Pages 49-120)***

Note: There will be a brief presentation by KPMG prior to consideration of the item above.

6. **Governance Development**

6.1 Assurance/Accountability Integration Joint Board/Perth and Kinross Council/NHS Tayside – Verbal Report by Chief Internal Auditor

6.2 Internal Audit Output Sharing Protocol – Report by Chief Internal Auditor (copy herewith G/17/161) ***(Pages 121-126)***

6.3 Transforming Governance Action Plan – Update – Report by Chief Officer (copy to follow)

7. **Performance Review**

7.1 Draft RAG Performance Report – Presentation by Chief Officer

8. **Private Discussion**

9. Date of Next Meeting

Tuesday 28 November 2017 at 1.00pm

3.1

AUDIT AND PERFORMANCE COMMITTEE OF THE PERTH AND KINROSS INTEGRATION JOINT BOARD

Minute of Meeting of the Audit and Performance Committee of the Perth and Kinross Integration Joint Board (IJB) held in Room 415, Fourth Floor, Council Building, 2 High Street, Perth on Tuesday 27 June 2017 at 1.00pm.

Present: Councillors C Ahern, Perth and Kinross Council; L Dunion, Tayside NHS Board; S Hay (Chair), Tayside NHS Board; and B Campbell, Carer Representative.

In Attendance: R Packham, Chief Officer; J Smith, Chief Finance Officer; S Hendry, Democratic Services, Perth and Kinross Council; J Clark, Chief Internal Auditor, Perth and Kinross Council; T Gaskin, Chief Internal Auditor, NHS Tayside; and N Dyce, KPMG.

Apologies: Councillor E Drysdale and J Foulis.

1. WELCOME AND APOLOGIES

S Hay welcomed all those present to the meeting and apologies were submitted and noted as above.

It was noted that the IJB would be asked on 30 June 2017 to homologate the decision, in consultation with the Chair, Vice-Chair, Chief Officer and Perth and Kinross Council members of the IJB to appoint Councillors C Ahern and E Drysdale to the Audit and Performance Committee.

2. DECLARATIONS OF INTEREST

In terms of the Perth and Kinross Integration Joint Board Code of Conduct and in relation consideration of the Unaudited Annual Accounts 2016/17 by both the Audit and Performance Committee and the IJB on 30 June 2017, it was agreed that S Hay would chair this meeting and it was noted that L Dunion would be chairing the meeting of the IJB on 30 June 2017 in her capacity as Vice-Chair. It was also noted that S Hay was the Chair of the NHS Tayside Audit Committee and was Vice-Chair of the Tayside NHS Board.

3. MINUTE OF PREVIOUS MEETING

3.1 MINUTE OF MEETING OF 28 MARCH 2017

The minute of meeting of the Audit and Performance Committee of 28 March 2017 was submitted and approved as a correct record.

3.2 ACTION POINTS UPDATE

The Action Points Update (G/17/102) from the meeting of 28 March 2017 was submitted and noted.

3.3 FORWARD PLAN 2017/18

There was submitted a report by the Chief Finance Officer (G/17/103) updating the Audit and Performance Committee on the requirement to undertake a full review of the Forward Plan 2017/18.

Resolved:

(i) It be noted that the papers coming forward to the Audit and Performance Committee in June were not directly in line with the forward plan approved at the meeting of 28 March 2017;

(ii) It be agreed that a full review of the Forward Plan for 2017/18 was now required to take account of the further clarity around the governance and assurance framework;

(iii) It be noted that it was likely that the forward plan would continue to be regularly reviewed in line with the wider work to clarify governance arrangements.

3.4 MATTERS ARISING

There were no matters arising from the previous minute.

4. GOVERNANCE DEVELOPMENT

4.1 ASSURANCE / ACCOUNTABILITY IJB/PERTH AND KINROSS COUNCIL (PKC) / NHS TAYSIDE (NHST)

T Gaskin informed members that since the last meeting of the Committee, the Chief Executive of NHS Tayside had been in discussion with the Chief Officers of the three Tayside IJB's regarding assurance and accountability. It was noted that the view of NHS Tayside was that the three Tayside IJB's were operating the same model. It was the view of Perth and Kinross Council and the Perth and Kinross IJB that the IJB was operating as a commissioning body. It was noted that further meetings would be taking place to progress these discussions.

The Committee noted the position.

4.2 PROTOCOL FOR SHARING AUDIT REPORTS

T Gaskin confirmed that work was continuing to take place on a protocol for sharing audit reports and that an update would be provided at the next meeting of the Committee.

IT WAS AGREED TO CONSIDER ITEM 11 ON THE AGENDA AT THIS POINT

11. DRAFT INTERNAL AUDIT REPORT PK06/17 DELAYED DISCHARGES

There was submitted a draft internal audit report by the Chief Internal Auditor, NHS Tayside (G/17/114) that reviewed arrangements within the IJB to plan, support and deliver an improvement in the level of hospital and community delayed discharges.

Resolved:

The Committee noted the report and commended the work of the Perth and Kinross IJB to date on delayed discharges.

5. ASSURANCE: INTERNAL CONTROL AND RISK MANAGEMENT

5.1 STRATEGIC RISK FRAMEWORK: UPDATE

There was submitted a report by the Chief Finance Officer (G/17/104), updating the Audit and Performance Committee on progress with the partnership strategic risk management framework, and proposed further development.

Resolved:

(i) The progress to date on updating the Strategic Risk Framework be noted.

(ii) The creation and adoption of a programme for individual risks to be discussed at the IJB Chief Officers Group meetings on a rolling basis be noted.

(iii) It be noted that the IJB Chief Officers Group is considering how a process might be established to ensure that any operational risks which might impact on delivery of the IJB Strategic Plan should be escalated.

(iv) It be noted that the current Strategic Risk Framework would be subject to a full review, the results of which would be brought to the Audit and Performance Committee at its November 2017 meeting.

5.2 CLINICAL, CARE & PROFESSIONAL GOVERNANCE PROGRESS REPORT

There was submitted a report by the Chief Finance Officer (G/17/105) providing an update with regards to the arrangements for Care & Professional Governance across the partnership, and activity and progress to date led by the Care & Professional Governance Forum.

Resolved:

The activity and progress made to date regarding the partnership arrangements for Care & Professional Governance, as detailed in Report G/17/105, be noted.

5.3 CLINICAL CARE & PROFESSIONAL GOVERNANCE ANNUAL REPORT

(i) NHS Tayside

There was submitted and noted a report by the Chair of the Clinical and Care Governance Committee (G/17/106). The report was to assist the Committee in conducting a regular review of the effectiveness of the systems of internal control, noting that the Code of Corporate Governance required that the Clinical and Care Governance Committee submitted an annual report to the Audit and Performance Committee.

(ii) Perth and Kinross Council

It was noted that a report would be submitted to the next meeting of the Committee on 26 September 2017.

5.4 CHAIR, PERTH & KINROSS COUNCIL SCRUTINY COMMITTEE STATEMENT ON GOVERNANCE AND INTERNAL CONTROL

It was noted that this item would now be considered at the next meeting of the Committee on 26 September 2017.

5.5 CHAIR, NHS TAYSIDE AUDIT COMMITTEE STATEMENT ON GOVERNANCE AND INTERNAL CONTROL

It was noted that this item would now be considered at the next meeting of the Committee on 26 September 2017.

5.6 PERTH & KINROSS COUNCIL INTERNAL AUDIT ANNUAL REPORT ON INTERNAL CONTROL FRAMWORK

5.7 NHS TAYSIDE INTERNAL AUDIT ANNUAL REPORT ON INTERNAL CONTROL FRAMEWORK

T Gaskin and J Clark reported that work was taking place on both Perth and Kinross Council and NHS Tayside's Internal Audit Annual Report on Internal Control Framework and that more detailed information would be provided at the next meeting of the Committee on 26 September 2017.

5.8 CHIEF INTERNAL AUDITORS ANNUAL REPORT AND ASSURANCE STATEMENT

There was submitted a report by the Chief Internal Auditor, NHS Tayside (G/17/107) providing the Audit and Performance Committee with the Chief Internal Auditor's Annual Report and Assurance Statement for the IJB.

Resolved:
The Committee noted the contents of the report.

5.9 ANNUAL INTERNAL AUDIT REPORTS

It was agreed that T Gaskin would circulate copies of the draft reports to members of the Committee and that a more detailed position would be reported to the next meeting of the Committee on 26 September 2017.

6. ANNUAL ACCOUNTS 2016/17

6.1 UNAUDITED ANNUAL ACCOUNTS 2016/17

There was submitted a report by the Chief Finance Officer (G/17/108) presenting the IJB's Unaudited Annual Accounts for the financial year 2016/17 in accordance with the Local Authority Accounts (Scotland) Regulations 2014.

Resolved:
The Unaudited Annual Accounts be approved and passed to the Integration Joint Board for consideration on 30 June 2017 subject to amending the wording on page 96 under the section on Analysis of Financial Statements to state that a surplus is reported on the Comprehensive Income and Expenditure Statement.

6.2 ANNUAL GOVERNANCE STATEMENT

6.3 DRAFT LETTER ON GOVERNANCE AND INTERNAL CONTROL TO CHAIR OF AUDIT COMMITTEE PERTH AND KINROSS COUNCIL AND NHS TAYSIDE

There was submitted a report by the Chief Finance Officer (G/17/109) seeking approval of the Annual Governance Statement for the financial year 2016/17 which provides assurance as to the effectiveness of the IJB's governance framework and in particular the system of internal control.

Resolved:

(i) The 2016-2017 Annual Governance Statement, as detailed in Report G/17/109, be approved.

(ii) It be agreed that a letter be issued to the Chairs of NHS Tayside and Perth & Kinross Council Audit Committees confirming that adequate and effective governance arrangements were in place throughout the Perth & Kinross Integration Joint Board during the financial year 2016/17.

7. PERFORMANCE REVIEW

7.1 UPDATE ON PERFORMANCE REPORTING

There was submitted a report by the Chief Finance Officer (G/17/110) (1) updating the Audit and Performance Committee on the development of the IJB's Performance Framework; and (2) setting out proposals for performance reporting to the Committee from September onwards.

Resolved:

A standard performance report be developed following finalisation of the Annual Performance Report to be considered at the next meeting of the Committee on 26 September 2017.

8. FOR INFORMATION / NOTING

8.1 ADULT SOCIAL WORK AND SOCIAL CARE JOINT BUSINESS MANAGEMENT AND IMPROVEMENT PLAN AND ANNUAL PERFORMANCE REPORT

There was submitted and noted a report by the Chief Officer (G/17/111) that was also being submitted to Perth and Kinross Council on 28 June 2017 and the IJB on 30 June 2017.

8.2 AUDIT SCOTLAND REPORT – NHS IN SCOTLAND 2017

There was submitted and noted a report (G/17/112) by Audit Scotland entitled Project Scope: NHS in Scotland 2017.

9. PRIVATE DISCUSSION

Private discussion took place as necessary between the members of the Committee and Chief Internal Auditor.

10. DATE OF NEXT MEETING

Tuesday 26 September 2017 at 1.00pm

Action Points Update 26th September 2017
Perth & Kinross IJB – Audit and Performance Committee

Ref.	Meeting	Action	Responsibility	Timescale	Update/Comments
4.1	28/03/2017	Update on IJB/NHST Assurance and Accountability - Draft Proposed 2016/17 Governance and Accountability arrangements between NHST and IJBs to be circulated to Audit & Performance Committee	TG	June 2017	Verbal Update September 2017. Paper to IJB 3 November 2017
4.4	28/03/2017	Protocol for sharing Audit Reports - Proposal to come to June Audit & Performance Committee	TG	June 2017	Paper September 2017
4.5	28/03/2017	Strategic Risk Framework - Development session for Audit & Performance Committee/Management Team potentially on a pan-Tayside basis to be set up during 2017/18 with consideration given to this being supported externally.	RP/JMS/TG	November 2017	This session has been delayed pending finalisation of Accountability and Assurance arrangements as 4.4 above.
5.3	17/06/17	Clinical Care & Professional Governance Annual Report- a report in respect of PKC (Chief Social Work Officers Annual Report) would be submitted to the next meeting.	RP	September 2017	Chief Social Work Officers Annual Report will be finalised December 2017
5.6/ 5.7	17/06/17	Draft Internal Audit Annual Report for PKC and NHST to circulate to members and formally considered thereafter at the next meeting.	TG/JC	September 2017	Agenda Item
6.3	17/06/17	Letter to be issued to the Chairs of NHS Tayside and Perth & Kinross Council Audit Committees confirming that adequate and effective governance arrangements were in place throughout the Perth & Kinross Integration Joint Board during the financial year 2016/17.	JMS	June 2017	Complete
7.1	17/06/17	Performance Reporting- a standard performance report be developed following finalisation of the Annual Performance Report to be considered at the next meeting.	JMS	September 2017	Agenda Item

Action Points Update 26th September 2017
Perth & Kinross IJB – Audit and Performance Committee

		COMPLETED ACTIONS			
Ref.	**Meeting**	**Action**	**Responsibility**	**Timescale**	**Update/Comments**
	17/01/2017	Include Standing Agenda Item for Declaration of Interest in all future meeting.	SH	March onwards	Complete
4	17/01/2017	Revisions to Terms of Reference agreed. Paper to IJB to approve amendments.	LD	3rd February meeting	Complete
8	17/01/2017	CIPFA training content to be agreed with members prior to finalising dates.	JS	February 2017	Complete
	17/01/2017	Paper on Care and Professional Governance to come forward to next meeting.	RP	March 2017	Complete
7.1	17/01/2017	Risk Register included for noting. Final draft to be brought to the next Meeting Noted the inclusion of Corporate Support as an additional Risk for inclusion in the final Risk Register.	JS	March 2017	Complete
5.2	17/01/2017	Governance Action Plan: for next meeting the inclusion of timescales for resolution or report back to be incorporated into the plan.	JS	March 2017	Complete
4.2	28/03/2017	Governance Action Plan - Future consideration to be given to the sufficiency of corporate support to progress financial modelling and other aspects of planning around Large Hospital Set Aside after progress.	RP / JS	June 2017	Complete. (Now included in Transforming Governance Action Plan)
3.3	28/03/2017	Annual Accounts briefing session to be scheduled prior to formal consideration by the Audit & Performance Committee in September 2017.	JS	August 2017	Complete
5.5	17/01/2017	Performance - Time to be set aside at the next meeting for further discussion on performance indicators.	JS	March 2017	Complete

Director of Finance's Office
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Ms Linda Dunion
Chairperson
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Date	14 July, 2017
Your Ref	
Our Ref	LB/LM/
Enquiries to	Miss Alison Stibbles
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ASSURANCES PROVIDED BY TAYSIDE NHS BOARD

At the Tayside NHS Board Meeting dated 29 June, 2017, I provided assurance to the Board following the review of the System of Internal Control operating within NHS Tayside during 2016/17 financial year that had been considered by the NHS Tayside Audit Committee at its meeting on 22nd June 2017.

The Audit Committee undertook a review of the Governance Statement that has operated within NHS Tayside during financial year 2016/17. In undertaking this review, the Committee considered the following:

(1) The review of the System of Internal Control,

(2) The Annual Reports and assurances by Committees including Best Value Assurances;

(3) The Audit Committee considered the assurance provided by Scott-Moncrieff as Service Auditor to NHS National Services Scotland on the payment processes operated by the Practitioner Services Division (PSD);Internal and External Audit plans and reports considered by the NHS Tayside Audit Committee up to and including 22 June 2017;

(4) The Audit Committee considered the assurance provided by Scott-Moncrieff, as Service Auditor to NHS National Services Scotland on the services provided by National Information Technology Services provided by the Atos Origin Alliance;

(5) The Audit Committee considered the assurance provided by BDO UK LLP AS Service Auditor to NHS Ayrshire & Arran hosting the National Single Instance Financial Ledger Services (eFinancials) on behalf of 22 NHS Boards including NHS Tayside;

(6) The FTF Internal Audit 2016/17 Annual Report, noting the satisfactory conclusions of the Chief Internal Auditor;

(7) Audit Committee Lead Officer's statement to the Chief Internal Auditor with regard to assurances affecting the Governance Statement;

(8) The Patient Exemption Checking report on progress around Patient Exemption Checking as a direct result of the checks undertaken by Counter Fraud Services;

(9) The Audit Committee Annual Report for 2016/17 previously submitted to the Audit Committee;

Following review, the conclusion of the Audit Committee and the recommendation made to and accepted by Tayside NHS Board, was that adequate and effective governance arrangements were in place throughout NHS Tayside, including those functions delegated to the IJBs, during the year 2016/17.

A copy of the NHS Tayside 2016/17 Annual Internal Audit Report can be found at:-

http://staffnet.tayside.scot.nhs.uk/NHSTaysideDocs/idcplg?IdcService=GET_FILE&dDocName=PROD_279785&Rendition=web&RevisionSelectionMethod=LatestReleased&noSaveAs=1

I trust that this is helpful to your Audit Committee.

Yours sincerely

Steven Hay (Signed Electronically)

Stephen Hay
Chairperson
On behalf of NHS Tayside Audit Committee

Cc Jane Smith – Chief Finance Officer, Perth & Kinross Health and Social Care Partnership

4.3
G/17/156

PERTH AND KINROSS INTEGRATION JOINT BOARD

AUDIT & PERFORMANCE COMMITTEE

26 SEPTEMBER 2017

REVIEW OF ANNUAL INTERNAL AUDIT REPORTS: PKC/NHST

Report by Chief Finance Officer

PURPOSE OF REPORT
This report summarises material issues arising within the 2016/17 Annual Audit Reports for NHS Tayside (NHST) and for Perth & Kinross Council (PKC) that are pertinent to Perth & Kinross IJB and its ability to deliver its strategic aims and objectives.

1. RECOMMENDATION(S)

The Audit and Performance Committee is asked to:-

- Note the contents of the report;
- Agree the need for regular updates to the Audit & Performance Committee on progress by NHST and PKC against a number of key actions.

2. MAIN ISSUES

NHS TAYSIDE

The Internal Audit Annual Report 2016/17 for NHST confirms that overall the Board has adequate and effective internal controls in place. Further the letter from the Chair of the NHST Audit Committee to the Chair of the IJB Audit Committee (Paper 5.1) dated 14 July 2017 confirms that the conclusion of he Audit Committee was that adequate and effective governance arrangements were in place throughout NHST, including those functions delegated to the IJB's, during the year 2016/17.

The Internal Audit Annual Report however does highlight a number of areas where improvement is required that if unresolved, may compromise the ability of the IJB to deliver its Strategic Objectives:-

<u>Financial Governance</u>

The formal assessment of the Internal Control Framework highlights the Budgetary control System as being inadequate. In parallel, the formal assessment of the Internal Control Framework in relation to Financial Reporting and Arrangements to ensure Resources are Used Effectively, Efficiently and Economically are considered to be adequate however with improvements required to ensure business objectives achieved.

The IJB's External Audit Report highlights the robust budget setting and financial reporting mechanisms in place within the Partnership. To achieve this, the Chief Financial Officer has required to independently embed budget setting processes across health budgets. Regular meetings and communication have been required with the Senior Finance Team at NHST to ensure alignment of this detailed approach with the high level NHST Financial Plan.

Moving forward, the Chief Financial Officer will work to support NHST Senior Finance Colleagues to embed a "best practice" approach to budget setting and financial planning, with joint collaborative working on identifying future pressures and development of solutions to deliver financial sustainability.

Senior Leadership Capability and Capacity

A revised NHST Senior Leadership Structure is to be presented to the Boards with specific assurance requested on capability as well as capacity. This is to include

- Business As Usual,
- Strategy Production with targets for delivery,
- Delivery of Strategy and supporting the IJB's.

The IJB's Transforming Governance Action Plan endorsed by the Audit & Performance Committee in June 2017, recognised Leadership Capacity and Corporate Support Arrangements as key areas for immediate attention. Specific to the Hosting Responsibilities of P&K Integration Joint Board across Inpatient Mental Health Services, work in the past 12 months has identified the requirement for a strengthened senior leadership and support structure.

Proposals include strengthened operational management and clinical leadership; pathway redesign, continued improvements to environmental health and safety risks and attention to staff governance matters and leadership through cultural change. The refreshed approach will factor in capacity for strategic planning including the commissioning and implementation of redesigned service models following the public consultation phase of major service change. Strategic Leadership currently falls to the Chief Officer and the capacity required presents a significant risk to delivery of the wider strategic priorities of the IJB.

It is recommended that the IJB Audit & Performance Committee requests NHS Tayside to work urgently with the Chief Officer to identify the resources to provide sustainable senior leadership capacity and capability across Inpatient Mental Health.

Clinical, Care and Professional Governance Arrangements

Good local progress has been in implementation of the Tayside Joint Framework for Clinical, Care and Professional Governance (CCPG). The framework proposes development and implementation of three distinct groupings.

1. The Local Joint Forum for CCPG
2. The Tayside Joint Forum for CCPG
3. Tayside wide, Specialty Specific Joint Forum for CCPG

In Perth and Kinross the local joint forum is working well, local standards have been determined across 6 domains of governance and a first iteration of self assessment has been completed.

NHS Tayside's Board Medical and Nurse Directors have been leading a process to initiate the Tayside Joint Forum for CCPG. Agreement has been reached that rather than creating a new forum, NHS Tayside's Clinical Quality Forum will adapt to meet the emerging needs of the Health and Social Care Partnerships (HSCP) across Tayside. Of six meetings scheduled each year, three will be devoted to the core business of Health and Social Care Partnerships. The Board Medical and Nurse Directors will be joined by the Chief Social Work Officers to lead and oversee joint meetings with leadership teams of the three Local Joint Forums. This will facilitate a shared approach to performance management and in the management of common interests across the three HSCPs in Tayside.

The specialty specific Care and Professional Governance Specialty Group for Mental Health is led by the Associate Nurse and Medical Directors for Mental Health. This forum has regularly and involves senior leaders and clinicians from Community and Acute Mental Health Services across Tayside. This forum will provide scope for development and communication of standards of practice specific to Mental Health. Their role will include a responsibility to ensure standards are implemented all the Integration joint Boards and NHS Tayside retained services

It is recommended that Audit and Performance Committee members note progress made locally and through the regular reporting mechanisms to the committee, monitor and scrutinise the performance of the Perth and Kinross Local Joint Forum for CCPG against the objectives of the Strategic Plan and evolving standards of practice.

It is recommended that Audit and performance Committee members seek assurance that the Mental Health Care and Professional Governance Specialty Group provides evidence of progress against objectives on a quarterly basis. In Perth and Kinross, as hosts of Mental Health In Patient Services, the Audit and Performance committee will seek evidence of compliance with the recommendations of the Mental Health Care and Professional Governance Specialty Group

PERTH & KINROSS COUNCIL

The Internal Audit Annual Report 2016/17 for PKC confirms that reasonable reliance can be placed on the Councils governance arrangements and systems of internal control for 2016/17 subject to management implementation of agreed actions detailed in Internal Audit Reports. The Report does not provide detail of the agreed actions and therefore at this stage their relevance to the IJB has not been assessed.

In addition the audit opinion makes comments that limited reliance can be placed on corporate risk management arrangements in 16/17 but that the ongoing implementation within PKC of a revised risk management strategy should enable reasonable reliance for 2017/18.

It is recommended that that the Chief Internal Auditor for PKC be asked to provide further detail on the areas for significant improvement in internal controls in order that their pertinence to the IJB can be assessed.

It is also proposed that an update be provided to the IJB Audit & Performance Committee at its next meeting on the Corporate Risk Management Strategy.

4. CONCLUSION

The review of the 2016/17 Audit Reports for both NHST and PKC have identified a number of key areas for improvement that are critical to the delivery of the IJB's aims and objectives. Regular updates will be brought to the Audit & Performance Committee.

Author(s)

Name	**Designation**	**Contact Details**
Jane M Smith	Chief Finance Officer	janemsmith@nhs.net janemsmith@pkc.gov.uk 01738459556 07966875713

NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), were relied on to any material extent in preparing this report.

ANNEX

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	**Yes / None**
HSCP Strategic Commissioning Plan	
Transformation Programme	
Resource Implications	
Financial	
Workforce	
Assessments	
Equality Impact Assessment	
Risk	
Other assessments (enter here from para 3.3)	
Consultation	
External	
Internal	
Legal & Governance	
Legal	
Clinical/Care/Professional Governance	
Corporate Governance	
Communication	
Communications Plan	

1. Strategic Implications

1.1 Strategic Commissioning Plan

This section should set out how the proposals relate to the delivery of the Perth and Kinross Strategic Commissioning Plan

1 prevention and early intervention,
2 person centred health, care and support
3 work together with communities
4 inequality, inequity and healthy living
5 best use of facilities, people and resources

2. Resource Implications

2.1 Financial

The Chief Finance Officer must be consulted on all proposals with financial implications. No report with such implications should be presented at a meeting when this has not been done and it should be explicitly stated that the Chief Finance Officer has been consulted, and has indicated agreement with the proposals.

This section should state the specific amount of revenue and capital funding required in the current financial year and the full year effect of any future funding and how that will be met. Detail should be provided of where the financial provision has been made e.g. the Revenue Budget / Capital Programme or a special monies allocation.

All reports should contain clear and unambiguous financial information. It could also be helpful to provide an outline of the budget or overall investment in this area of activity.

2.2 Workforce

The Lead for Human Resources and Partnership Representatives must be Consulted on all proposals with workforce implications.

All reports should contain adequate workforce information such as workforce planning issues, skill mix, recruitment and retention, training and development issues.

3. Assessments

3.1 Equality Impact Assessment

Under the Equality Act 2010, PKC and NHS Tayside is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the HSCP to demonstrate that it is meeting these duties.

This section should reflect that the proposals have been considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:

(i) Assessed as **not relevant** for the purposes of EqIA
(ii) Assessed as **relevant** and actions taken to reduce or remove the following negative impacts: (add summary points only here)
(iii) Assessed as **relevant** and the following positive outcomes expected following implementation: (add summary points only here).

3.2 Risk

This section should set out the key risks associated with the proposals which have not been addressed elsewhere in the report, including any implications for the corporate risk management process, and also the controls required to mitigate those risks as follows:

Risk Description:

Current Rating of Likelihood

Current Rating of Consequences

Actual control level and main control tools

Target control level

Tolerance control level

3.3 Other assessments

The following headings should be included in the report where relevant:

Measures for Improvement – a list of the measures that will be monitored as part of the implementation of the service change

Patient Experience – details of how you intend to improve the experience of hospital and community patients and demonstrate a positive impact that will be measurable.

Health and Safety - Major Health & Safety implications should be included.

Healthcare Associated Inspection - This heading must be included with adequate detail if the report will impact on Healthcare Associated Infection in NHS Tayside.

Benefit Realisation – details of the benefits should be noted here.

Quality – Quality improvements should be included here.

IT – any significant IT implications should be included.

4. Consultation – Patient/Service User first priority

4.1 External

This section should detail who has been consulted outwith the Partnership in the development of the proposals and the preparation of the report, and also the views of the consultees.

4.2 Internal

This section should detail who has been consulted within the Partnership (other than the statutory officers already mentioned previously), including elected members, in the development of the proposals and the preparation of the report, and also the views of the consultees.

5. Legal and Governance

5.1 The Head of Legal Services must be consulted on all proposals with legal implications. No report with such implications should be presented at a meeting when this has not been done and it should be explicitly stated that the

Head of Legal Services has been consulted. Where appropriate, this section should set out clearly set out the legal basis for the proposals

5.2 This section should also include details of the Governance arrangements in place.

6. Communication

6.1 Where appropriate, this section should set out the communications which will be undertaken in implementing the proposals, including the key target audiences and the communication methods.

7. BACKGROUND PAPERS/REFERENCES

This section should list the documents that have been relied on in preparing the report, other than those committee reports already referenced within the main body of the report. All documents must be kept available by the author for inspection by the public for four years from the date of the meeting at which the report is presented.

8. APPENDICES

This section should list the appendices to the report.

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PERTH AND KINROSS INTEGRATION JOINT BOARD

AUDIT & PERFORMANCE COMMITTEE

26 SEPTEMBER 2017

STRATEGIC RISK FRAMEWORK: UPDATE

Report by Chief Finance Officer

PURPOSE OF REPORT This report seeks to update the Audit & Performance Committee on progress with the partnership strategic risk management framework, and proposed further development.

1. RECOMMENDATION(S)

The Audit & Performance Committee is asked to:

a. note the progress to date on updates to the Strategic Risk Framework
b. note the ongoing programme for individual risks to be discussed at the Chief Officers Group meetings on a rolling basis.
c. note that the current Strategic Risk Framework will be subject to a full review in November 2017, the results of which will be brought to the Audit & Performance Committee.

2. SITUATION/BACKGROUND / MAIN ISSUES

At its meeting on the 1st July 2016, the Board approved the Draft Risk Management Framework for the Partnership. This framework was prepared in line with the Risk Management Policy and Strategy which set out the cornerstones of good risk management and how this should be applied within the IJB.

The framework identifies the ten key strategic risks for the partnership, and each risk is managed by a member of the Executive Management team.

Ongoing support is being provided to risk managers to ensure that each risk is subject to ongoing update and review, and to identify future improvement actions to help mitigate each risk.

All risks within the framework have a current score for likelihood and consequence, and this scoring will assist the EMT and IJB in being aware of those risks which pose the greatest threat to the effective operation of the partnership.

3. UPDATE

A rolling programme is now in place to allow for discussion of two risks at each Chief Officer Group meeting, which takes place monthly. The rolling programme ensures that there is the opportunity for scrutiny and wider discussion of each strategic risk at least twice annually at the Chief Officers Group.

The following risks have been discussed to date as part of the rolling programme:

- Capacity & Flow
- Workforce Development & Staff Governance
- Locality Development
- Corporate Governance
- Strategic Plan
- Clinical, Care & Professional Governance
- Health Equity
- Effective Financial Management
- Stakeholder Engagement & Partnership Working

The strategic risk in relation to Information Governance & Sharing will be discussed at the Chief Officers Group on the 13th September 2017. After this has taken place, all ten strategic risks will have been updated and discussed at the Chief Officers Group.

A comprehensive self assessment of the IJB's governance arrangements has been undertaken to support preparation of the Annual Governance Statement. The improvement plan which has been developed thereon recognises the need for the development of clear protocols for risk management at both Strategic and Operational level.

It is proposed that a workshop to consider this be set up, and as part of this workshop, the current Strategic Risk Framework will be subject to a full review in November 2017. The results of this review will be brought to the Audit & Performance Committee.

4. NEXT STEPS

a) A full review of the Strategic Risk Framework to take place in November 2017, the results of which will be brought back to the Audit & Performance Committee.

Author(s)

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PERTH AND KINROSS INTEGRATION JOINT BOARD

AUDIT & PERFORMANCE COMMITTEE

26 SEPTEMBER 2017

APPOINTMENT OF INTERNAL AUDITORS 2017/18

Report by Chief Finance Officer

PURPOSE OF REPORT
This report seeks approval to proposed Internal Audit Arrangements for 2017/18.

1. BACKGROUND

At its meeting on the 1st July 2016, the IJB approved the appointment of Tony Gaskin (as Chief Internal Auditor) and FTF be appointed as the IJB's Internal Auditors for 2017/18.

2. KEY ISSUES

The approval of the Audit & performance Committee is now sought to extend the Internal Audit Arrangements previously agreed to 2017/18.

During 2017/18, we will work to develop longer term arrangements.

3. RECOMMENDATION

The Audit & Performance Committee is asked to:-

- approve the appointment of Tony Gaskin (as Chief Internal Auditor) and FTF as the IJB's Internal Auditors for 2017/18.

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PERTH AND KINROSS INTEGRATION JOINT BOARD

AUDIT & PERFORMANCE COMMITTEE

26 SEPTEMBER 2017

INTERNAL AUDIT PLAN 2017/18

Report by Chief Internal Auditor

PURPOSE OF REPORT
The purpose of this paper is to seek approval of the Annual Internal Audit Plan for Perth & Kinross Integrated Joint Board (IJB) for 2017/18.

1. BACKGROUND

As stated in the IRAG guidance, it is the responsibility of the IJB to establish adequate and proportionate internal audit arrangements for review of the adequacy of the arrangements for risk management, governance and control of the delegated resources. In November 2015, FTF (Fife, Tayside and Forth Valley Audit and Management Services) were appointed as the IJB's Internal Auditors for 2016/17. The IJB has been asked to approve this appointment for a further year.

Resources to deliver the plan will be provided by the NHS Tayside and Perth & Kinross Council Internal Audit services. 20 days have been included in the 2017/18 Internal Audit Plans for each party. A total of 40 days have been included in the 2017/18 Internal Audit Plans of the parties.

The 2016/17 Internal Audit Plan stated that 'Within the first year, we will identify areas for inclusion within the audit universe and develop a 3 year strategic audit plan congruent with the IJB's risk register.' However, it is now clear that the development of a 3 year plan would not be appropriate given the emergent nature of the IJB, the continuous development and understanding of the control and risk environment in which the IJB operates and the changing needs of the organisation. It has therefore been concluded that the discretionary elements of this year's plan will be focused around the Perth & Kinross IJB's Strategic Risk Register, with individual topics also informed by the professional views of the IJB Chief Officer and Chief Financial Officer and the Chief Internal Auditors of both parties.

It also takes account of assurance which can be provided to the IJB based on work performed under the Internal Audit plans of both parties.

We would highlight that the plan is predicated on the basis that operational controls over services are maintained and assured through the parties. As such, the Internal Audit plans of NHS Tayside and Perth & Kinross Council are included as Appendices A & B to this report. Audit Committee members are asked to note the audits highlighted which are likely to be shared under the protocol which is presented separately and which will provide additional assurance to the IJB.

The audit plan is designed to provide the Chief Internal Auditor with sufficient evidence to form an opinion on the adequacy and effectiveness of internal controls.

The draft operational plan for 2017/18 has been designed to target the priority issues identified by our assessment of risk. The plan includes the delivery of standard products required each year, and is further based on professional judgement of the IJB risk environment. We therefore assessed audit need based on the IJB's own strategic risks as well as areas for improvement noted in the Governance Statement, our findings from our 2016/17 Annual Internal Audit Report and benchmarking with other IJBs. We have also discussed the proposed plan with the Chief Officer and Chief Finance Officer to ensure the substantive audit assignments add value.

The proposed plan is set out below:

Ref	Audit	Indicative Scope	Days	Target Audit Committee
PK01-18	Audit Planning	Agreeing audit universe and preparation of strategic plan	3	August 2017
PK02-18	Audit Management	Liaison with managers and Directors and attendance at Audit Committee	4	Ongoing
PK03-18	Annual Internal Audit Report	CIA's annual assurance statement to the IJB and review of governance self-assessment	7	June 2018
PK04-18	Risk Management	Review of systems of risk management, assessment of risk maturity and consideration of assurances mechanisms for key controls Support Risk Workshop as per Transforming Governance Action plan	10 2	December 2017
PK05-18	Strategic Planning	Review of production and update of the Strategic Plan, development of local delivery plans including stakeholder engagement and partnership working.	7	March 2018

PK06-18	Corporate Support & Capacity Review	The scope of this audit is to review the proposed process for updating support arrangements and to ensure that any attendant risks are fully reflected within the IJB Risk register as necessary. A more detailed scope which may include aspects such as organisational and management structures, including for hosted services, will be discussed in detail and agreed with management.	7	September 2017

Work to deliver the internal audit plan is undertaken under the supervision of the Chief Internal Auditor. An Internal Audit Joint working Protocol has been agreed by the Internal Auditors of both parties and is presented separately, as is the protocol for sharing Internal Audit outputs.

The audit plan is designed to provide the Chief Internal Auditor with sufficient evidence to form an opinion on the adequacy and effectiveness of internal controls.

2. RECOMMENDATION

The IJB is asked to:

- Approve the 2017/18 annual plan.

3. CONSULTATION

The Chief Officer, the Chief Finance Officer and the Chief Internal Auditor of Perth & Kinross Council have been consulted on the content of this paper. The draft plan has also been issued to the IJB's external auditors for comment.

Author(s)

Name	**Designation**	**Contact Details**
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	Risk Title / Description	Owner Manager	Framework / Strategy / Output Required	Inherent Risk Exposure	Current Risk Level	Clinical, Care & Prof. Governance Domain(s)	Internal Audit coverage 2017-18
				L = Likelihood C = Consequence			
1	CORPORATE GOVERNANCE The inability to establish efficient and effective structures and arrangements required for the partnership will lead to a risk of the partnership being unable to function effectively	R Packham J Smith	**Corporate Governance Arrangements and Self Assessment Framework** **Organisational Structure** **Risk Register and management arrangements** **Audit Committee role and remit** **Hosted Services framework for service delivery** **System for performance appraisal** **Performance Management framework**	L= 5 C= 5 25	L= 3 C= 4 **12**	**ALL**	**Included? Yes** Rationale Review of systems of risk management, assessment of risk maturity and consideration of assurances mechanisms for key controls Precondition for risk based internal audit process

	Risk Title / Description	Owner Manager	Framework / Strategy / Output Required	Inherent Risk Exposure	Current Risk Level	Clinical, Care & Prof. Governance Domain(s)	Internal Audit coverage 2017-18
				L = Likelihood C = Consequence			
2	CLINICAL, CARE & PROFESSIONAL GOVERNANCE The inability to deliver locality structures underpinned by robust standards and professional codes of practice results in a risk of failure to deliver reliable, safe and effective health and social care in all settings, resulting in harm or deterioration to service users	R Packham E Devine V Johnson	**Performance Management framework** **Organisational Development framework** **Clinical, Care & Professional Governance Framework** **Risk Management Strategy** **Adverse Event Management** **Complaints Management** **Adult Support & Protection Framework** **Care & Professional Governance Forum terms of Reference**	L= 5 C= 5 25	L= 3 C= 4 **12**	**ALL**	**Included? No** Rationale Reviewed within 2016/17 audit plan

	Risk Title / Description	Owner Manager	Framework / Strategy / Output Required	Inherent Risk Exposure	Current Risk Level	Clinical, Care & Prof. Governance Domain(s)	Internal Audit coverage 2017-18
				L = Likelihood C = Consequence			
3	STRATEGIC PLAN There is a risk that a failure to implement the aims and priorities in the strategic plan will lead to failure to meet the needs and challenges of our communities, reputational damage and unsustainable future services.	R Packham L Cameron	**Strategic Plan** **Large Hospital Services Plan** **Joint Transformation Programme**	L= 4 C= 5 20	L= 3 C= 5 **15**	**ALL**	**Included? Yes** Rationale High risk as well as the focus for development work already identified by management. Confirmation that the Strategic Plan was produced in line with guidance, that there is a process in place for revisiting and updating the Strategic Plan in the context of the financial and other risks that have emerged during the first year and that the high level objectives of the Strategic Plan have been appropriately incorporated into a Local Delivery Plan for implementation, which sets out how the Strategic Plan will be delivered, including priorities, timescales and risks to achievement.

	Risk Title / Description	Owner Manager	Framework / Strategy / Output Required	Inherent Risk Exposure	Current Risk Level	Clinical, Care & Prof. Governance Domain(s)	Internal Audit coverage 2017-18
				L = Likelihood C = Consequence			
4	EFFECTIVE FINANCIAL MANAGEMENT Failure to develop and implement a balanced financial plan will lead to a risk of unsustainable services and create a barrier to the necessary transformations.	R Packham J Smith	**2016/17 Financial Plan** **Joint Transformation Programme** **Performance Management framework** **3 Year Financial Strategy**	L= 5 C= 5 <u>25</u>	L= 4 C= 4 **<u>16</u>**	**ALL**	**Included? No** <u>Rationale</u> Other assurance available. The 2017/18 NHS Tayside Internal Audit plan contains consideration of savings plans, medicines management and rostering, all of which have an impact on P&K IJB.
5	STAKEHOLDER ENGAGEMENT AND PARTNERSHIP WORKING There is a risk of failure to engage effectively and timeously regarding key service developments which will lead to a risk of reputational damage and unnecessary delay.	R Packham H MacKinnon	**Organisational Development framework** **Hosted Services framework for service delivery** **Community Engagement & Participation Framework** **Communications Framework**	L= 5 C= 5 <u>25</u>	L= 3 C= 2 **<u>6</u>**	**ALL**	**Included? Yes** <u>Rationale</u> Controls have a significant impact on the risk score; therefore assurance is required over these controls. This area will be key to future redesign and will be considered as part of the internal audit of strategic planning.

	Risk Title / Description	Owner Manager	Framework / Strategy / Output Required	Inherent Risk Exposure	Current Risk Level	Clinical, Care & Prof. Governance Domain(s)	Internal Audit coverage 2017-18
				L = Likelihood C = Consequence			
6	HEALTH EQUITY There is a risk that a failure to prioritise health equity issues in all decision making will result in an inability to reduce the health equity gap	R Packham L Cameron	**Public Health Framework**	L= 4 C= 5 20	L= 3 C= 5 **15**	**Promotion of equality & social justice**	**Included? No** Rationale Given limited audit resource, to be audited separately in future years. Health equity issues to be considered as part of review of Strategic Planning and Corporate governance/Risk management review.

	Risk Title / Description	Owner Manager	Framework / Strategy / Output Required	Inherent Risk Exposure	Current Risk Level	Clinical, Care & Prof. Governance Domain(s)	Internal Audit coverage 2017-18
				L = Likelihood C = Consequence			
7	INFORMATION GOVERNANCE & SHARING Inability to efficiently and effectively share information at patient level with partners will lead to a risk of harm, duplication and inefficiencies.	R Packham D Fraser	**Information Sharing Protocol**	L= 5 C= 5 25	L= 3 C= 5 **15**	**Information Governance**	**Included? No** Rationale Information governance, Records management and FOI are important areas, albeit given that most information is held by the parties, reliance will need to be placed on their information governance systems. Information security for NHS Tayside is currently being reviewed and will include consideration of the steps taken to ensure that information sharing protocols with the IJBs are robust and are being monitored. However, this area may need to be reviewed in 2018/19 to consider the steps taken in response to the introduction of the GDPR.

	Risk Title / Description	Owner Manager	Framework / Strategy / Output Required	Inherent Risk Exposure	Current Risk Level	Clinical, Care & Prof. Governance Domain(s)	Internal Audit coverage 2017-18
				L = Likelihood C = Consequence			
8	WORKFORCE DEVELOPMENT & STAFF GOVERNANCE Inability to develop and sustain our workforce creates a risk of unsustainable services	R Packham J Foulis	**Organisational Development framework** **Hosted Services framework for service delivery** **Workforce Strategy**	L= 5 C= 5 25	L= 4 C= 4 **16**	**Professional Regulation and Workforce Development**	**Included? No** Rationale Workforce planning and monitoring is included within the NHS Tayside Internal Audit plan, providing some assurance for this year. Future Local Authority plans may include this area.
9	CAPACITY AND FLOW Inability to adapt and improve existing models of care and patient flow will lead to a risk that patients are not being cared for at the right place at the right time, by the right person	R Packham E Devine D Fraser	**Delayed Discharge Action Plan** **P&K RIE Improvement Plan** **Joint Transformation Programme**	L= 5 C= 5 25	L= 4 C= 4 **16**	**Patient, service user/ carer & staff Experience** **Patient, Service user Carer and Staff Safety**	**Included? No** Rationale Delayed Discharge action plan reviewed in Audit PK06/17

	Risk Title / Description	Owner Manager	Framework / Strategy / Output Required	Inherent Risk Exposure	Current Risk Level	Clinical, Care & Prof. Governance Domain(s)	Internal Audit coverage 2017-18
				L = Likelihood C = Consequence			
10	LOCALITY DEVELOPMENT Failure to develop effective locality working will lead to a risk that people will not receive care in line with the principles of the integration of Health & Social Care	R Packham E Devine D Fraser	**Locality Working Arrangements** **Locality Structures**	L= 5 C= 5 25	L= 3 C= 5 **15**	**ALL**	**Included? No** Rationale This is an area in progress and would best be reviewed once settled arrangements have been in place and operating for a period sufficient to allow meaningful assessment.

Audit Needs Assessment based on Perth & Kinross IJB 2016/17 Governance Statement- **Action Plan for 2017/18** **ACTION PLAN FOR 2017/18** The IJB acknowledges that as a relatively new body working in a complicated governance environment, further review and development of governance arrangements is still required. A number of areas for continued development and review have been identified and will include:-	**Source**	**Internal Audit coverage 2017-18**
Formally set out the overall governance framework that supports the relationship between Perth & Kinross Council, NHS Tayside and Perth & Kinross IJB and establish a clear basis on which to share this with officers, members and wider staff to ensure that roles and responsibilities and accountabilities are consistently understood.	**Perth & Kinross IJB Governance Statement 2016/17**	**Included? No** Rationale Will be reviewed as part of Annual Internal Audit report 2017/18. Being considered by the Governance Review Group which includes IJB Chief Officer and Chief Finance Officers, following which discussion will take place with Perth & Kinross Council
Risk management in Practice: establish clear protocols for risk management at both strategic and operational level that align with the governance structure within which the IJB and Partnership operate. In particular ensure that Clinical and Care Risk Management responsibilities both at strategic and operational level are clearly established with a clear programme of work in place to improve performance and mitigate risk.	**Perth & Kinross IJB Governance Statement 2016/17**	**Included? Yes** Rationale To be included in all Tayside IJB audit plans to provide an assessment of the IJB's risk maturity which is a necessary precondition for risk based internal audit
Review scrutiny and review arrangements including role, remit and membership of EMT/COG/Joint SMT/ Transformation Board etc and establish clear routes to PKC and NHST existing committees.	**Perth & Kinross IJB Governance Statement 2016/17**	**Included? No** Rationale Will be reviewed as part of Annual Internal Audit report 2017/18
Review and strengthen the role of the Strategic Planning Group moving forward to ensure direct involvement in the planning of services moving forward.	**Perth & Kinross IJB Governance Statement 2016/17**	**Included? Yes** Rationale See above

Audit Needs Assessment based on Perth & Kinross IJB 2016/17 Governance Statement- **Action Plan for 2017/18** **ACTION PLAN FOR 2017/18** The IJB acknowledges that as a relatively new body working in a complicated governance environment, further review and development of governance arrangements is still required. A number of areas for continued development and review have been identified and will include:-	**Source**	**Internal Audit coverage 2017-18**
Review the basis on which the partnership are engaging with communities, ensuring that a robust process exists that encourages active participation of service users, carers and communities in designing services.	**Perth & Kinross IJB Governance Statement 2016/17**	**Included? Yes** Rationale See above
Development of 2017/18 Strategic Delivery Action Plan with timescales and clear SRO's against agreed actions and close alignment with Performance Framework.	**Perth & Kinross IJB Governance Statement 2016/17**	**Included? Yes** Rationale See above
With the Partnership Team develop a shared Culture and Identity that is linked to a shared vision around the future shape of health and social care across Perth & Kinross.	**Perth & Kinross IJB Governance Statement 2016/17**	**Included? N/A** Rationale Aspects of this work will be taken into account as part of the planning work for 2017/18 audits
Review the Organisational Structure of the Partnership Team to ensure sufficient Leadership and Strategic Planning Capacity which takes account of our significant Hosted Service responsibilities.	**Perth & Kinross IJB Governance Statement 2016/17**	**Included? N/A** Rationale Aspects of this work will be taken into account as part of the planning work for 2017/18 audits
Develop a model for clinical leadership and engagement across all services to ensure that our medical staff are at the heart of designing sustainable future health and social care services.	**Perth & Kinross IJB Governance Statement 2016/17**	**Included? N/A** Rationale Aspects of this work will be taken into account as part of the planning work for 2017/18 audits

Audit Needs Assessment based on Perth & Kinross IJB 2016/17 Governance Statement- **Action Plan for 2017/18** **ACTION PLAN FOR 2017/18** The IJB acknowledges that as a relatively new body working in a complicated governance environment, further review and development of governance arrangements is still required. A number of areas for continued development and review have been identified and will include:-	**Source**	**Internal Audit coverage 2017-18**
Development of Large Hospitals Set Aside arrangements in conjunction with NHS Tayside	**Perth & Kinross IJB Governance Statement 2016/17**	**Included? No** Rationale This is an area in progress and would best be reviewed once settled arrangements have been in place and operating for a period sufficient to allow meaningful assessment.
Development of improved Hosted Services arrangements including improved sharing of information between the three IJBs	**Perth & Kinross IJB Governance Statement 2016/17**	**Included? No** Rationale This is an area in progress and would best be reviewed once settled arrangements have been in place and operating for a period sufficient to allow meaningful assessment.
Review the effectiveness of corporate support arrangements that the IJB is reliant upon provided by NHS Tayside and Perth & Kinross Council	**Perth & Kinross IJB Governance Statement 2016/17**	**Included? Yes** Rationale See above
Review the training requirements for Board Members.	**Perth & Kinross IJB Governance Statement 2016/17**	**Included? No** Rationale Will be reviewed as part of Annual Internal Audit report 2017/18
Establish a robust system to support performance management at locality, partnership and strategic IJB level.	**Perth & Kinross IJB Governance**	**Included? N/A**

Audit Needs Assessment based on Perth & Kinross IJB 2016/17 Governance Statement- **Action Plan for 2017/18** **ACTION PLAN FOR 2017/18** The IJB acknowledges that as a relatively new body working in a complicated governance environment, further review and development of governance arrangements is still required. A number of areas for continued development and review have been identified and will include:-	**Source**	**Internal Audit coverage 2017-18**
	Statement 2016/17	<u>Rationale</u> Aspects of this work will be taken into account as part of the planning work for 2017/18 audits
17/18 Objectives agreed for senior leadership team aligned to Strategic Delivery Action Plan along with training and development plan.	**Perth & Kinross IJB Governance Statement 2016/17**	**Included? N/A** <u>Rationale</u> Aspects of this work will be taken into account as part of the planning work for 2017/18 audits
Work with both NHST and PKC to consider the sufficiency of the GP Prescribing budget and the how best to ensure financial sustainability moving forward.	**Perth & Kinross IJB Governance Statement 2016/17**	**Included? No** <u>Rationale</u> Other source of assurance available – to be reviewed under NHS Tayside Internal Audit T20/18 Medicines Management
Work with NHST and PKC to develop principles to underpin an aligned approach to Budget Setting for 2018/19.	**Perth & Kinross IJB Governance Statement 2016/17**	**Included? No** <u>Rationale</u> Focus limited audit resources on areas where audit can add value

In addition to developments identified by management, Internal Audit made the following additional recommendations in the 2016/17 Annual Internal Audit report:

Audit Needs Assessment based on 2016/17 Annual Internal Audit report	Source	Internal Audit coverage 2017-18
Governance arrangements: Standing orders should be reviewed and updated as required following on from the governance review	**Finding from Perth & Kinross IJB Annual Internal Audit report 2016/17**	**Included? No** Rationale Will be reviewed as part of Annual Internal Audit report 2017/18
Risk management- We would recommend that the risk template is adjusted to also include information on assurances against the controls listed in line with Appendix 2 of the Risk Management Strategy	**Finding from Perth & Kinross IJB Annual Internal Audit report 2016/17**	**Included? Yes** Rationale See above
Work on the required assurances for clinical and care governance should include reporting from the Chief Social Work Officer	**Finding from Perth & Kinross IJB Annual Internal Audit report 2016/17**	**Included? No** Rationale Audit coverage under 2016/17 audit plan
Consideration should be given to arrangements required by the IJB to comply with Freedom of Information and Public Records legislation	**Finding from Perth & Kinross IJB Annual Internal Audit report 2016/17**	**Included? No** Rationale See above. Information Governance likely to be included in the 2018/19 audit plan.

APPENDIX A

NHS Tayside Operational Internal Audit Plan 2017-2018

Reference			Description	Scope	2017/18 ***Days***
			AUDIT PROCESS		**64**
T	1	18	Audit Risk Assessment & Planning	Audit Risk Assessment & Operational Planning	13
T	2	18	Audit Management & Liaison with Directors	Audit Management, Liaison with Directors of Finance and other Officers	16
T	3	18	Liaison with External Auditors	Liaison and co-ordination with External Audit	4
T	4	18	Audit Committee	Briefings, preparation, attendance and action points	16
T	5	18	Clearance of Prior Year	Provision for clearance and reporting of 2016-17 Audit Reports	15
			CORPORATE GOVERNANCE		**104**
			Accountability and Assurance		
T	6	18	Annual Internal Audit Report	CIA's annual assurance to Audit Committee	18
T	7	18	Governance Statement	Preparation of portfolio of evidence to support governance statement	18
T	8	18	Interim Review	Report to show progress and allow remedial action in-year	20
T	9	18	Audit Follow-up	Review of the audit follow-up mechanism & selective examination	5
			Control Environment		
T	10	18	Code of Corporate Governance (SOs, SFIs and SoD)	To include assistance with development at Governance Review Group, provision of ad-hoc advice (inc. Risk Management)	8

T	11	18	Board, Operational Committees and Accountable Officer	CIA attendance at Board meetings and provision of advice	10
			Risk Management		
T	12	18	Staff and Patient Environment	Including Health and Safety, Fire and Security	15
			Sustainability		
T	13	18	Environmental Costs	Review of Carbon Reduction Commitment	10
		HEALTH PLANNING			**110**
			Health Plan		
T	14	18	Strategic Planning	Advice and assistance from CIA around NHS Tayside design of system	10
			Service Monitoring		
T	15	18	Organisational Performance Management	Benefits realisation for workstream programmes	20
			Effective Partnerships and Integrated Care		
T	16	18	Health and Social Care Integration	Working with Local Authority Partners to deliver IJB Internal Audit plan. Ongoing review of Health Board HSCI risk and associated controls.	80
		CLINICAL GOVERNANCE			**85**
			Quality of Care		
T	17	18	Clinical Effectiveness	Review the processes in place for Mortality reviews across the Surgery Directorate	20
			Patient Safety		
T	18	18	Infection Control	Review of arrangements to manage the Corporate risk on control of HAI and adherence to policy	15
T	19	18	Medical Equipment and Devices	To include follow up of previous report T21-14 including Ransomware issue	20

T	20	18	Medicines Management	Arrangements for efficient and effective prescribing. Increased to 30 to cover PMG/Homecare/ Formulary compliance/Improving repeat prescribing systems	30
		STAFF GOVERNANCE			**45**
			Staff Governance Arrangements		
T	21	18	Staff Governance (inc Remuneration Sub-Committee)	To include bi - annual review of Remuneration Committee Self assessment checklist	10
T	22	18	Workforce planning including capable and effective workforce	Review of workforce planning and monitoring to deliver the right workforce in the short, medium and long-term. Bench marking of investigations process. Benefits realisation of rostering changes	35
		FINANCIAL ASSURANCE			**30**
			Accountability		
T	23	18	Fraud & Probity arrangements	Input of Regional Audit Manager as the Board's Deputy Fraud Liaison Officer and input to National Fraud Initiative	10
			Use of Resources		
T	24	18	Savings Programme	Identification, delivery and reporting of savings	20
		CAPITAL INVESTMENT			**10**
T	25	18	Property Transaction Monitoring and Property disposals	Post Transaction Monitoring	10
		TRANSACTION SYSTEMS			**23**
T	26	18	Financial Process Compliance	Compliance testing of central payroll, travel, accounts payable, account receivable, bank arrangements	15
T	27	18	National Payroll Maintenance	Assurance on the maintenance of the Scottish Standard Payroll System	8

			ENDOWMENT FUNDS		**30**
T	28	18	Endowments	Review of endowments on 5 year risk based audit plan	30
			INFORMATION GOVERNANCE		**10**
			Data		
T	29	18	NHS Scotland Waiting Times Methodology	Annual independent assurance over the monthly audit process and control matrix evaluation of Trakcare	10
			CONTINGENCY		**50**
			Contingency		
T	30	18	Contingency	Contingency reserve for investigations and reviews	10
T	31	18	Departmental Reviews	Tailored reviews of individual departments/wards/programmes selected following detailed discussion with management	40
			TOTAL		**561**

APPENDIX B

See link to Perth & Kinross Council Internal Audit Plan:

https://perth-and-kinross.cmis.uk.com/perth-and-kinross/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1577/Committee/1/Default.aspx

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PERTH AND KINROSS INTEGRATION JOINT BOARD

AUDIT & PERFORMANCE COMMITTEE

26 SEPTEMBER 2017

ANNUAL ACCOUNTS 2016/17

Report by Chief Finance Officer

PURPOSE OF REPORT
This report presents the IJB'S Audited Annual Accounts for the period to 31 March 2017 to the Audit & Performance Committee for approval.

1. BACKGROUND

The Unaudited Annual Accounts for 2016/17 were submitted to Audit Scotland on 30 June 2017. 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 3 July and 21 July (inclusive). KPMG, the IJB's external auditors, received no objections during this period. On 30th June 2017 the IJB approved the Unaudited Annual Accounts for 2016/17.

2. ANNUAL ACCOUNTS 2016/17

The audit of the Annual Accounts took place between July and August 2017 during which time KPMG considered whether the Annual Accounts 2016/17:-

- 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 2017 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;
- Had been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

KPMG's findings are set out in the Annual Audit Report to members and the Controller of Audit attached at Appendix 1.

The key messages from the 2016/17 audit are set out at within the Executive Summary at Page 3 and are summarised as follows:-

- Unqualified independent auditor's report on the 2016/17financial statements;
- The IJB finished 2016/17 in surplus due to the under spend on PKC social care services;
- The IJB has in place effective financial management arrangements;
- For 2017/18 budgets have been approved for PKC Social Care Services and NHS Tayside Hospital and Community Services and Hosted Services. A budget has however not yet been approved for GP Prescribing;
- The IJB has appropriate governance arrangements in place and they provide a framework for effective organisational decision making.

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

3. CONCLUSION AND RECOMMENDATION

KPMG's findings on the 2016/17 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 Audit & Performance Committee:

- Consider the contents of Audit Scotland's Annual Report to Members and the Controller of Audit on the 2015/16 Audit.
- Approve the Audited Annual Accounts for 2016/17 and refer these to the IJB for final approval.

4. NEXT STEPS

Author(s)

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Appendix 1 – KPMG Annual Audit report to Members and the Controller of audit on the 2016/17 Audit

Appendix 2 – Audited Annual Accounts 2016/17

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Perth and Kinross Integration Joint Board

Annual Audit Report to the Members of Perth and Kinross Integration Joint Board and the Controller of Audit

For the year ended 31 March 2017

7 September 2017

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About this report

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's *Code of Audit Practice* ("the *Code*").

This report is for the benefit of Perth and Kinross Integration Joint Board ("the IJB") and is made available to Audit Scotland and the Controller of Audit (together "the Beneficiaries"). This report has not been designed to be of benefit to anyone except the Beneficiaries. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Beneficiaries, even though we may have been aware that others might read this report. We have prepared this report for the benefit of the Beneficiaries alone.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the introduction and responsibilities section of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the Beneficiaries) for any purpose or in any context. Any party other than the Beneficiaries that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Beneficiary's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Beneficiaries.

Complaints

If at any time you would like to discuss with us how our services can be improved or if you have a complaint about them, you are invited to contact Andy Shaw, who is the engagement leader for our services to the IJB, telephone 0131 527 6673, email: andrew.shaw@kpmg.co.uk who will try to resolve your complaint. If your problem is not resolved, you should contact Hugh Harvie, our Head of Audit in Scotland, either by writing to him at Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG or by telephoning 0131 527 6682 or email to hugh.Harvie@kpmg.co.uk. We will investigate any complaint promptly and do what we can to resolve the difficulties. After this, if you are still dissatisfied with how your complaint has been handled you can refer the matter to Russell Frith, Assistant Auditor General, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN.

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Executive summary
Key messages

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Audit conclusions	We intend to issue an unqualified audit opinion on the financial statements of Perth and Kinross Integration Joint Board ("the IJB") following their approval by the Board. We have concluded satisfactorily in respect of each of the significant risks and audit focus areas identified in the audit strategy document. The annual accounts, statement of responsibilities, governance statement and remuneration report were received at the start of the audit fieldwork and were supported by high quality audit work papers. We have no matters to highlight in respect of adjusted audit differences or independence.
Financial position	The IJB finished 2016-17 in surplus, due to Perth and Kinross Council underspending against the total allocated budget. The final spend commissioned from NHS Tayside was £145.7 million, being £2.7 million higher than the 2016-17 budget. The shortfall was funded by NHS Tayside in line with the integration scheme. Reserves as at 31 March 2017 were £1.4 million, with a further £0.6 million held in the earmarked reserves of Perth and Kinross Council, pending approval for spend against robust proposals.
Financial management and financial sustainability	The IJB has effective financial management arrangements. Financial updates are provided to the Board three times a year which enables overspends to be forecast and actions taken to mitigate. The Perth and Kinross Council Social Care Services and NHS Tayside Hospital and Community Services/ Other Hosted Services 2017-18 budget was approved by the Board in March 2017. The NHS Tayside Inpatient Mental Health Services budget was approved in June 2017. Further discussion also took place about the 2017-18 GP Prescribing budget during the June meeting, however as at the date of this report the budget has not been approved by the IJB.
Governance and transparency	The IJB undertook a governance self assessment, identifying recommendations for improvements. An action plan was formed, with time scales identified for all medium and high risk findings. The IJB operates in a transparent manner, with meetings of the Board and the audit and performance committee being taken in public. Agendas, reports and minutes are available online for public download.

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Introduction
Scope and responsibilities

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Purpose of this report

The Accounts Commission has appointed KPMG LLP as auditor of Perth and Kinross Integration Joint Board ("the IJB") under part VII of the Local Government (Scotland) Act 1973 ("the Act"). The period of appointment is 2016-17 to 2021-22, inclusive.

Our annual audit report is designed to summarise our opinions and conclusions on significant issues arising from our audit. It is addressed to both those charged with governance at the IJB and the Controller of Audit. The scope and nature of our audit were set out in our audit strategy document which was presented to the audit and performance committee at the outset of our audit.

Audit Scotland's Code of Audit Practice (''the Code'') sets out the wider dimensions of public sector audit which involves not only the audit of the financial statements but also consideration of areas such as financial performance and corporate governance.

Accountable officer responsibilities

The Code sets out the IJB's responsibilities in respect of:

- corporate governance;
- financial statements and related reports;
- standards of conduct for prevention and detection of fraud and error
- financial position; and
- Best Value.

Auditor responsibilities

This report reflects our overall responsibility to carry out an audit in accordance with our statutory responsibilities under the Act and in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Code. Appendix one sets out how we have met each of the responsibilities set out in the Code.

Scope

An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance.

Weaknesses or risks identified are only those which have come to our attention during our normal audit work in accordance with the Code, and may not be all that exist.

Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Under the requirements of International Standard on Auditing (UK and Ireland) ('ISA') 260 *Communication with those charged with governance*, we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity.

This annual audit report to members and our presentation to the audit and performance committee, together with previous reports to the audit and performance committee throughout the year, discharges the requirements of ISA 260.

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Financial position

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Overview

The Public Bodies (Joint Working) (Scotland) Act 2014 specifies that Integration Joint Boards should be treated as if they were bodies falling within section 106 of the Local Government (Scotland) Act 1973. The financial statements of the IJB 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 Accounting Code).

The Board is responsible for the strategic planning and delivery of health and adult social care services in Perth and Kinross. The Board is responsible for services as set out in the Integration Scheme, which includes 'hosted' services which are provided by the IJB on behalf of the other integration joint boards in Tayside: Dundee City and Angus.

IJB financial management overview

The IJB budget process begins in September each year with final approval by March. Delegated baseline budgets for 2017-18 were subject to due diligence and comparison to actual expenditure in previous years.

The Board does not have any fixed assets, nor does it directly incur expenditure or employ staff (other than the chief officer and the chief financial officer). All funding and expenditure is delegated to the partner organisations and is recorded in the partner organisation's accounting records.

Funding contributions from Perth and Kinross City Council £48.2 million	Funding contributions from NHS Tayside £145.7 million	Net expenditure £192.5 million	Surplus on provision of services £1.4 million

Legislation empowers the Board to hold reserves. The integration scheme and the reserves strategy set out the arrangements between the partners for addressing and financing any overspends or underspends. It highlights that in the event of an underspend at the year end, it will be retained by the IJB as reserves following agreement with the partners, unless the following conditions apply:

— where a clear error has been made in calculating the budget requisition or;

— in other circumstances agreed through a tri-partite agreement between the partners and the IJB.

Where a year end overspend in the IJB's budget is projected the chief officer and chief finance officer must take remedial action to prevent this overspend materialising. In the event that the remedial action cannot prevent the overspend, the IJB will present a recovery plan to the partners, to address in year overspends and any recurring overspends for future financial years without impacting on the achievement of performance outcomes.

In the event that an overspend remains following the application of a recovery plan, use of reserves or, where the Strategic Plan cannot be adjusted, the following arrangements will apply:

— in 2016-17 the overspend is met by the partner with operational responsibility, unless agreed otherwise through a tri-partite agreement between the IJB and the partners; and

— in 2017-18 onwards, the overspend may be allocated based on each partner's proportionate contribution to the IJB's budget requisition for that financial year on a like for like basis.

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Financial position (continued)

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2016-17 financial position

The IJB financial statements are prepared on a going concern basis. A surplus of £1.4 million was reported in the comprehensive income and expenditure statement ("CIES"), which resulted in £1.4 million net assets in the balance sheet as at 31 March 2017.

Comprehensive income and expenditure statement

The IJB's planned breakeven position for 2017-18 was reliant on the early invoking of the risk sharing agreement due to the level of unidentified savings within GP prescribing and in patient mental health. This was based on expenditure and income of £49 million contributed by Perth and Kinross Council ("PKC") and £143 million from NHS Tayside. The year end outturn was a surplus of £1.4 million.

An underlying overspend of £2.8 million was reported against services where operational responsibility lies with NHS Tayside. However, in line with the risk sharing agreement for 2016-17, NHS Tayside devolved further non-recurring budget to the IJB to balance income with expenditure.

Against social care budgets, where operational responsibility lies with PKC, an underspend of £2.6 million was reported. Of this £1.9 million had been forecast in the latter months of the financial year. As the Integration Scheme sets out, underspends may be retained by the IJB as reserves, subject to the agreement of the relevant body. Agreement was reached with PKC prior to 31 March 2017 that savings of £1.4 million projected earlier in the year would be retained by the IJB to meet agreed social care priorities. The balance of £0.598 million, which was anticipated additional savings in the year, was retained by PKC in an earmarked reserve for the IJB against which priorities will be proposed for agreement in 2017-18. The "unanticipated" additional £0.565 million further underspend was also retained by PKC whilst further discussions take place around social care priorities.

The NHS Tayside overspend is made up of some key under and over spends as set out:

— GP prescribing: overspend £2.0 million. This is based on GP prescribing expenditure to January 2017 (a two month delay exists across Scotland in receiving actual expenditure information and the year end position). This is due to a £1 million savings shortfall, together with an overspend of £951,000. The IJB's variance from Scottish average costs is increasing; the cost per weighted patient increased by 6.0% locally for the period to December 2016, compared with a Scotland-wide increase of 2.9% for the same period.
(continued …)

Expenditure	2016-17 Budget (£000)	2016-17 Actual (£000)
Older peoples service/ Physical disabilities	62,102	60,422
Learning disabilities	17,359	16,760
Mental health and addictions	5,898	5,874
Planning/Management/Other services	7,729	7,724
Prescribing	26,187	28,190
General medical services	22,157	22,017
Family health services	13,448	13,431
Hosted services	19,764	20,751
Large hospital set aside	17,672	17,672
Total expenditure	**192,316**	**192,541**
Breakdown of variance:		
Health	**142,924**	**145,698**
Social Care	**49,392**	**46,843**

Source: draft 2016-17 PKC IJB Annual Performance Report

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Financial position (continued)

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— Older people service/ Physical disabilities: underspend £1.6 million. This is due to higher than anticipated income and client turnover within home care placements, as well as the re-assignment of staff within Aberfeldy Community hospital which is currently non-operational.

— Hosted health services: overspend of £987,000. Higher locum costs within forensic services and inpatient mental health, along with delays in implementing prisoner healthcare planned savings due to recruitment issues led to this overspend.

Scottish government funding

The Scottish Government provided funding to IJBs across Scotland for use to transform services, support integration and to reduce delayed discharges. A total of £2.7 million was received in 2016-17 through the recurring Integrated Care Fund ("ICF"). £6.54 million was received through Social Care funding, which included funding to support with the implementation of living wage. Amounts to reduce delayed discharge was also received from the Scottish Government, being £0.8 million.

Related party

NHS Tayside receives funding from the Scottish Government to support the operation of the IJB. As the services delivered relating to this funding are carried out operationally by PKC, it invoices NHS Tayside for the services.

There is also a longstanding payment from NHS Tayside to PKC for social care packages, this totalled £6.26 million and was invoiced in the same way as set out above. This payment is to support PKC to deliver social care within the community for those discharged from hospital.

Therefore there was a £15 million payment from NHS Tayside to PKC, disclosed in the related parties note within the annual accounts.

Balance sheet

The debtors balance at the year end arose from the underspend within the PKC budget. IJB 'cash' is held by the partner organisation due to the IJB not having a bank account, leading to a debtor to the IJB.

Balance sheet	2016-17 £000	2015-16 £000
Short term debtors	1,386	-
Current assets	1,386	-
Net assets	**1,386**	**-**
Usable Reserve : General fund	**(1,386)**	**-**
Total reserves	**(1,386)**	**-**

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Financial statements and accounting
Audit conclusions

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Audit opinion

Our audit work is complete pending receipt of management representations. Following approval of the annual accounts by the audit and performance committee we have issued an unqualified opinion on the truth and fairness of the state of the IJB's affairs as at 31 March 2017, and of the surplus for the year then ended.

There are no matters identified on which we are required to report by exception.

Financial reporting framework, legislation and other reporting requirements

The IJB is required to prepare its financial statements in accordance with International Financial Reporting Standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 ("the Code"), and in accordance with the Local Authority Accounts (Scotland) Regulations 2014. Our audit confirmed that the financial statements have been prepared in accordance with the Code and relevant legislation.

Statutory reports

We have not identified any circumstances to notify the Controller of Audit that indicate a statutory report may be required.

Other communications

We did not encounter any significant difficulties during the audit. There were no other significant matters arising from the audit that were discussed, or subject to correspondence with management that have not been included within this report. There are no other matters arising from the audit, that, in our professional judgement, are significant to the oversight of the financial reporting process.

Audit misstatements

There were no audit misstatements identified during the audit.

Written representations

Our management representation letter contains our standard representations.

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Financial statements and accounting
Audit conclusions (continued)

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Materiality

We summarised our approach to materiality in our audit strategy document. On receipt of the financial statements and following completion of audit testing we reviewed our materiality levels and concluded that the level of materiality set at planning was still relevant.

We used a materiality of £1.8 million for the IJB's financial statements. This equated to 1% of budgeted gross expenditure. We designed our procedures to detect errors in specific accounts at a lower level of precision than our materiality. Our performance materiality was £1.35 million. We report all misstatements greater than £0.09 million.

Forming our opinions and conclusions

In gathering the evidence for the above opinions and conclusions we:

— performed controls testing and substantive procedures to ensure that key risks to the annual accounts have been covered;

— communicated with the Chief Internal Auditor of Perth and Kinross Council, who provides internal audit support to the IJB, and reviewed internal audit reports as issued to the audit and performance committee to ensure all key risk areas which may be viewed to have an impact on the annual accounts had been considered;

— reviewed estimates and accounting judgments made by management and considered these for appropriateness;

— considered the potential effect of fraud on the annual accounts through discussions with senior management and internal audit to gain a better understanding of the work performed in relation to the prevention and detection of fraud; and

— attended audit and performance committee meetings to communicate our findings to those charged with governance, and to update our understanding of the key governance processes.

Financial statements preparation

Draft financial statements were published online in line with Section 195 of Local Government (Scotland) Act 1973, this included the management commentary and annual governance statement.

In advance of our audit fieldwork we issued a 'prepared by client' request setting out a list of required analyses and supporting documentation. We arranged a meeting with management to discuss our requirements and expected timescales. We will continue to refine our prepared by client requests and work with management to improve the quality of audit schedules.

Significant risks and other focus areas in relation to the audit of the financial statements

We summarise below the risks of material misstatement as reported within the audit strategy document.

Significant risks (page 10 of this report):

— management override of controls fraud risk.

Other focus areas (*page 11 of this report):*

— completeness and accuracy of expenditure; and

— financial statement disclosure.

Wider scope work (*page 14 of this report):*

— financial sustainability;

— financial management; and

— governance and transparency.

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Financial statements and accounting
Significant risks

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SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
Fraud risk from management override of controls Professional standards require us to communicate the fraud risk from management override of controls as a significant risk; as the standards consider management to typically be in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to the audit of the IJB. Strong oversight of finances by IJB management, as well as management at the partner level, provides additional review of potential material errors caused by management override of controls. In line with our methodology, we carried out appropriate controls testing over the budget monitoring control, and agreed the total income, expenditure and debtor balances to confirmations from the partner organisations.	There were no specific circumstances identified which would indicate additional risk of management override of controls. No overrides of controls were identified.

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Financial statements and accounting
Other focus areas

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OTHER FOCUS AREA	OUR RESPONSE	AUDIT CONCLUSION
Completeness and accuracy of expenditure The IJB receives expenditure forecasts from Perth and Kinross Council and NHS Tayside. There is a risk that actual expenditure and resulting delegated income is not correctly captured.	The closing positions with the partner organisations were agreed to confirmations from each body, and the split of expenditure on the comprehensive income and expenditure statement agreed to reports from the partner organisations. The IJB does not post journals throughout the year, with financial processing taking place at the partner bodies. Consolidation adjustments are posted as part of the year end accounts preparation process. These post-closing entries were tested without exceptions identified.	The expenditure disclosed in the accounts is complete and accurate.
Financial statement disclosure The IJB prepared financial statements for the first time in 2015-16 for the period from October 2015 to March 2016. We note that the previous auditor, Audit Scotland, noted that the financial statements for this period were not of a sufficient standard, with significant monetary and presentational adjustments required to the unaudited accounts. There is a risk in the IJB's first full accounting year that the financial statements and disclosures will not be prepared to the required quality and by the agreed timescales.	The draft IJB financial statements were compared against the CIFPA local authority disclosure checklist as completed by IJB management. No significant omissions were identified. Furthermore, the draft financial statements were reviewed against the LASAAC (The Local Authority (Scotland) Accounts Advisory Committee) guidance on integration joint board accounting. No omissions were identified.	Some small amendments were identified and actioned, however on the whole the financial statements had been prepared to a high standard. We consider that the annual accounts are prepared in accordance with financial reporting requirements.

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Financial statements and accounting
Management reporting in financial statements

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REPORT	SUMMARY OBSERVATIONS	AUDIT CONCLUSION
Management commentary	The Local Authority Accounts (Scotland) Regulations 2014 require the inclusion of a management commentary within the financial statements, similar to the Companies Act requirements for listed entity financial statements. We are required to read the management commentary and express an opinion as to whether it is consistent with the information provided in the annual accounts. We also review the contents of the management commentary against the guidance contained in the CIPFA template IJB accounts.	We are satisfied that the information contained within the management commentary is consistent with the annual accounts. We reviewed the contents of the management commentary against the guidance contained in the CIPFA template IJB accounts and are content with the proposed report. We provided management with some minor suggestions relating to how the management commentary could be enhanced and where additional information disclosures should be made.
Remuneration report	The remuneration report was included within the unaudited financial statements and supporting reports and working papers were provided.	We are satisfied that the information contained within the remuneration report is consistent with the underlying records and the financial statements and all required disclosures have been made. Our independent auditor's report confirms that the part of the remuneration report subject to audit has been properly prepared.
Annual governance statement	The statement for 2016-17 outlines the corporate governance and risk management arrangements in operation in the financial year. It provides details over the main features of the IJB's governance framework, the system of internal control, review over he adequacy and effectiveness of governance framework and an action plan for 2017-18.	We consider the governance framework and annual governance statement to be appropriate for the IJB and that it is in accordance with guidance and reflects our understanding of the IJB.

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Financial statements and accounting (continued)

Qualitative aspects and future developments

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Qualitative aspects

ISA 260 requires us to report to those charged with governance our views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.

We consider the accounting policies adopted by the IJB to be appropriate. There are no significant accounting practices which depart from what is acceptable under IFRS or the Code.

Financial statement disclosures were considered against requirements of the Code, relevant legislation and IFRS. No departures from these requirements were identified.

There were no new accounting standards adopted by the Code during 2016-17 which affected the IJB.

There are no significant accounting estimates.

Financial statement disclosures were considered against requirements of the Code, relevant legislation and IFRS. No departures from these requirements were identified.

Future accounting and audit developments

CIPFA / LASAAC consulted on amendments to the Code for IFRS 9 *Financial instruments* and IFRS 15 *Revenue from contracts with customers.* A separate publication *Forthcoming Provisions for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers in the Code of Local Practice on Local Authority Accounting in the United Kingdom 2018/19* will be issued as a companion publication to the Code setting out the approach to these two standards.

Other changes to the 2017 Code include an amendment to section 3.1 (Narrative Reporting) to introduce key reporting principles for the Narrative Report, and updates to section 3.4 (Presentation of Financial Statements) to clarify the reporting requirements for accounting polices and going concern reporting.

IFRS 16 Leases will bring a significant number of operating leases onto the balance sheet unless they are low value or have less than a year to run. CIPFA/LASAAC will revisit accounting for PFI liabilities which are currently under finance lease accounting rules of IAS 17, which is being replaced by the new standard.

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Wider scope and Best Value
Introduction

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Audit dimensions introduction

The Code of Audit Practice sets out four audit dimensions which, alongside Best Value in the local government sector, set a common framework for all the audit work conducted for the Controller of Audit and for the Accounts Commission: financial sustainability; financial management; governance and transparency; and value for money.

It remains the responsibility of the audited body to ensure that it has proper arrangements across each of these audit dimensions. These arrangements should be appropriate to the nature of the audited body and the services and functions that it has been created to deliver. We review and come to a conclusion on these proper arrangements.

During our work on the audit dimensions we considered the work carried out by internal audit and other scrutiny bodies to ensure our work meets the proportionate and integrated principles contained within the Code of Audit Practice.

Perth and Kinross IJB

Financial sustainability

The IJB is operating in a difficult landscape, with budget constraints. The main financial risk is the level of funding delegated relative to growing demand on services. In particular, NHS Tayside has unidentified saving requirements for 2017-18. Management needs to ensure that robust financial plans are in place at each partner.

Financial management

The IJB has robust controls over the monitoring of expenditure against budget, with regular reports going to meetings of the IJB.

The IJB has sufficient financial capacity at present, although the finance manager role is on a temporary basis.

Governance and transparency

We consider that the IJB has appropriate governance arrangements in place and they provide a framework for effective organisational decision making.

Value for money

We consider that the IJB has appropriate arrangements for using resources effectively and continually improving services

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Wider scope and Best Value
Financial sustainability

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Financial sustainability looks forward to the medium and longer term to consider whether the IJB is planning effectively to continue to deliver its services. This is inherently a risk to the IJB given the challenging environment where funding is reduced in real terms and efficiency savings are required.

In assessing financial sustainability we consider whether the Board is able to balance budgets in the short term and whether longer term financial pressures are understood and are planned for, as evidenced by the IJB's financial strategies and plans.

Budget setting

The IJB receives budget allocations from NHS Tayside and PKC. The 2017-18 NHS Tayside budget allocation contains savings targets which are not all supported by detailed plans. There is a risk sharing agreement with both bodies for 2016-17 and 2017-18. For 2018-19 these arrangements may be extended on agreement of both partner bodies. This agreement sets out that overspend during this period would be met by the partner with operational responsibility. This agreement gives the IJB comfort with regards to overspends in 2017-18, however, there is a risk going forward regarding ongoing budget balance, specifically in the context of the challenging NHS Tayside budget.

The IJB's budget for 2017-18 is balanced via a net savings target of £4.2 million is required. Savings have been identified across social care, hospital and community health and other hosted services. However a recurring gap of £2 million remains in respect of GP prescribing and inpatient mental health.

Expenditure pressures have also been identified which include the first full year of implementation of the living wage, care home contract rates, service demand pressures over care at home and residential placements and within drug and alcohol services. Income is expected from the Scottish Government to offset Living Wage expenditure.

NHS Tayside

A review was carried out by Scottish Government NHST Assurance and Advisory Group over NHS Tayside. The executive management team has set out the ongoing actions it is taking that respond to these recommendations. .

Key recommendations included:

— NHS Tayside should take urgent and robust action in order to maximise the likelihood of achieving the planned in-year savings and delivery of the projected financial outturn for 2017-18.

— Over the next three months, NHS Tayside should subject its financial planning framework to rigorous and comprehensive review

— Over the next six months, NHS Tayside should continue to work with its partners to agree the content and a realistic timeline for completion of the Integrated Clinical Strategy

The Chief Finance Officer meets regularly with all budget holders to review the 2017-18 financial position and to identify slippage on delivery and actions necessary to deliver a balanced position. During 2016-17, a financial planning and budgeting process was implemented by the Chief Finance Officer to ensure a consistent approach across health and social care budgets. This approach sets the conditions for a robust joint approach to financial planning for 2018-19 that supports the identification of savings plans for future years.

NHS Tayside 2017-18 budget

During the 2017-18 budget setting the IJB was informed that the Chief Finance Officer cannot recommend approval of the budget proposition from NHS Tayside for GP prescribing and inpatient mental health services. In response, reports were presented during the IJB meeting in June to set out plans to control spending and meet savings targets.

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Wider scope and Best Value
Financial sustainability (continued)

DRAFT

Inpatient mental health

Mental health services in Tayside have undergone significant change, however we understand that the decision to retain inpatient services within each locality of Tayside has resulted in the level of inpatient spend is substantially higher than the Scottish average.

In line with the assumed optimum delivery of mental health service provision and across Scotland, the IJB identified the balance of care should shift to community-based services. Through remodelling adult inpatient mental health services in a way that makes better use of a skilled workforce, the IJB plans to achieve savings targets while still providing a safe service that provide patients with the "right care in the right place at the right time".

An options report was presented to IJB members at the June meeting. The report set out options and the estimated cost of each option. The preferred option was a single site for General Adult Psychiatry. This option would allow for a Centre of Excellence which is sustainable in terms or work force, the environment and affordability. The total projected variance (Budget Release) for this option was estimated at £2.4 million and was the highest of four options considered.

GP prescribing

The biggest pressure on the IJB's financial sustainability is the GP prescribing budget and the lack of agreed budget or plan to reduce costs. The IJB Chief Finance Officers for Tayside wrote to the NHS Tayside Director of Finance advising that the target being set is not deliverable in the 2017-18 year. Whilst there is full recognition of the need for a significant step up in efforts to reduce expenditure, this will not happen immediately. A change in culture will be required including a new way of working with GPs across Perth & Kinross to deliver a sustainable reduction in spend.

As at 13 March 2017, savings plans of £0.4 million had been identified by the NHS Tayside Prescribing Support Unit.

A three year GP engagement plan, focused on sustainable prescribing and the wider transformation of care was presented to the IJB in June 2017. It was resolved that: an investment of £0.3 million per annum for IJB Development funding for three years in GP Prescribing and Locality Engagement Programing was to be approved subject to annual review by the board and; the clinical director will provide quarterly reports to the IJB providing progress on implementation linked to the three year Prescribing Improvement Plan.

The IJB recognises that it needs a sustainable GP prescribing budget, and does not consider it appropriate to use other service underspends to close the gap. We recommend a budget for 2017-18 is approved as soon as possible and an action plan agreed between the IJB and two partner bodies, NHS Tayside and Perth and Kinross Council.

Recommendation one

PKC

PKC also has financial pressures, total revenue funding from the Scottish Government decreased overall by 7% in real terms since 2010-11. The Council has identified savings requirements (£65.3 million) over the next five years in order to continue to provide services to meet demand. Results for 2017-18 to date identify that the Council is operating broadly in line with budget.

Reserves strategy

The IJB approved a reserves policy in March 2017 describes the purpose for which reserves can be used. which sets out the statutory and regulatory framework for reserves, the operation of these reserves and the role of the Chief Finance Officer in determining the adequacy of reserves held by the IJB. The challenging future financial position for both partner bodies will make it difficult for the Chief Finance Officer to set a reserves target over the next three years.

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Wider scope and Best Value
Financial sustainability (continued)

DRAFT

Going concern

The annual accounts are prepared on a going concern basis. The IJB is in its infancy and is at the start of plans to transform services. However it has reserves of £1.4 million and a risk sharing agreement for 2017-18; reducing its exposure to significant overspends. In light of this position, the strong management of resources and the commitment from the two partner organisations we concur with the going concern basis.

Conclusion

The IJB is operating in a difficult landscape, with budget constraints on both of its partner organisations and ongoing transformation programmes at each. The main financial risk to the IJB is the level of funding delegated relative to the growing demand on services in particular, the GP prescribing budget.

Progress is being made to identify efficiency savings in the short term and to deliver transformational change over the longer term in order to address some of the financial challenges faced.

Management needs to ensure that the robust financial plans are in place at each partner organisation, to reduce the risk of relying on integration and change funds to bridge gaps in the mainstream budget inappropriately.

In order for the IJB to be financially sustainable, efficiency savings need to be identified and quantified, and we acknowledge that the IJB and partner organisations are in the process of delivering change programmes with this in mind.

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Wider scope and Best Value
Financial management

DRAFT

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. It is a risk given that the IJB is in its first year of directing services.

Financial monitoring

The IJB's financial management comes under a reasonable degree of scrutiny, with budgets being monitored at board, local authority and NHS level.

The IJB produces a finance update for every IJB meeting. The update presents information on IJB and Partnership year end over/under spend forecast, a summary of savings planned and savings booked and narrative to support to figures. The base budget position is not reported, only the over/under spend forecast against the budget.

Recommendation two

From our review of the minutes, it is evident that there is an appropriate level of scrutiny from IJB members, and these reports have allowed the IJB to address overspends in a timely fashion.

The Council provides induction and ongoing training for both elected members and other Board members. Board members can request training sessions on specific areas, either as group session or one to one. Feedback is sought after training sessions to improve and develop future sessions.

Internal audit reviews

The IJB does not have its own an internal audit function. Internal audit is supported by, and reviews carried out by, PKC and NHS Tayside internal audit team. Reviews carried out specific to the IJB are shared with the Board and audit and performance committee.

Internal audit completed one review during 2016-17 over Delayed Discharge. The review was concluded to be "Broadly Satisfactory". Recommendations were graded as priority two, important issues that require the attention of senior management.

The annual audit report, presented to June audit committee concluded that reliance can be placed on the IJB's governance arrangements and system of internal controls for 2016-17.

We are able to conclude that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's internal control system.

Finance function capacity

The finance team is led by the chief financial officer, a qualified Chartered Accountant who has a number of years experience working within within the NHS Lothian as the Head of Finance and more recently as the Head of Efficiency and Productivity. The partnership accountant provides significant support to the day to day financial management and control within the IJB. This position is currently fixed term due to end in July 2018. We recommend that the role of Partnership Accountant is changed to a permanent position to ensure the CFO can focus on high level strategic decision making as opposed to the operational running of the IJB.

Recommendation three

Conclusion

The IJB has robust controls over the monitoring of expenditure against budget, with regular reports going to public meetings of the IJB.

Financial capacity is appropriate, however the existence of the post of Partnership Accountant should have greater certainty to ensure ongoing support within the finance team.

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Wider scope and Best Value
Governance and transparency

DRAFT

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information. This is a risk for the first year of directing services, as arrangements become mature.

The IJB is developing scrutiny and governance arrangements, as this is the early stages of maturity there are some areas for development.

We have obtained an understanding of the IJB's governance and scrutiny arrangements and proposed developments to the governance framework and conclude on the appropriateness of these in our annual audit report.

Governance framework

The integration scheme between PKC and NHS Tayside sets out the key governance arrangements.

The Board is responsible for establishing arrangements for ensuring the proper conduct of the affairs of the IJB and for monitoring the adequacy of these arrangements.

The Board comprises a wide range of service users and partners including elected councillors nominated by PKC and directors nominated by NHS Tayside.

The IJB appointed a Chief Officer who provides overall strategic and operational advice to the Board and is accountable for the delivery of services.

The board is made up of Councillors, IJB Chief Officer and Chief Financial Officer, PKC staff, NHS Tayside Staff, Doctors, Public Partners and a representative from the third sector.

Perth and Kinross Integration Joint Board

- Chair (Conservative Councillor)
Vice Char (NHS Tayside Board Member)
Chief Officer
Chief Financial Officer
Chief Social Work Officer (PKC)
- 5 NHS Staff Members
Including NHS Associate Nurse Director
- 4 Doctors
Including Director of Public Health
- 5 NHS Staff Members
Including NHS Associate Nurse Director
- 3 Councillors
2 SNP
1 Liberal Democrat
- Chief Officer, Third Sector Interface of PKAVS
(Perth & Kinross Association of Voluntary Service)
- 4 Public Partners

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Wider scope and Best Value
Governance and transparency (continued)

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The Chief Officer is also accountable to both the Chief Executive of PKC and the Chief Executive of NHS Tayside and provides regular reports to both the council and the NHS board.

The Board and Audit and Performance Committee meet on a regular basis throughout the year. We review minutes from each to assess their effectiveness. We also periodically attend meetings of the Audit and Performance Committee.

Risk management

The IJB has developed a strategic risk register which was presented to the board at the March 2016 meeting. The register identifies risk headings, current internal controls, responsible lead, strength, RAG rating and future improvement actions for each risk identified. The risk register has not been presented to the board since March 2016.

Governance self assessment

The IJB used CIPFA Guidance; Delivering Good Governance in Local Government Framework to review its governance arrangements, and this included carrying out a self assessment review of the IJB's governance arrangements. This provided assurance that key governance policy's and arrangements are in place, and an improvement action was identified for any high or medium risk findings. From the self assessment 38 low risk findings, 39 medium risk findings and 17 high risk findings were identified. An improvement action plan and time scale was identified for all medium and high risk findings.

Internal control

PKC 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 as the council and health board, including the work performed by internal audit.

Internal Audit

Internal audit provides the Board and Chief Officer with independent assurance on the Board's overall risk management, internal control and corporate governance processes. Each partner organisation has its own internal audit service, with Chief Internal Auditor of NHS Tayside also holding the appointment of Chief Internal Auditor of the IJB.

The Board's Chief Internal Auditor uses the results of the audit work carried out at Perth and Kinross Council and NHS Tayside to form an opinion on the Board's systems of governance, risk and internal control. For 2016-17 the Board's Chief Internal Auditor concluded that reliance can be placed on the IJB's governance arrangements and systems of internal controls for 2016/17.

We considered the activities of internal audit against the requirements of Public Sector Internal Audit Standards ("PSIAS"), focusing our review on the public sector requirements of the attribute and performance standards contained within PSIAS. We reviewed internal audit reports and conclusions, and through discussion obtained the views of internal audit of risks of fraud within the IJB.

The review of internal audit reports and conclusions did not indicate additional risks and there was no impact on our audit approach.

Fraud

Arrangements are in place to ensure that suspected or alleged frauds or irregularities are investigated by one of the partner bodies internal audit sections. Since the IJB does not hold its own bank account and transactions are processed through the partner bodies management consider the risk of fraud to be low.

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Wider scope and Best Value

Governance and transparency (continued)

DRAFT

Transparency

The public should be able to hold the Board to account for the services it provides. Transparency means that the public has ready access to understandable, relevant and timely information about how the Board is taking decisions and how it is using its resources.

Full details of the meetings held by the Board and, as of January 2017, the Audit and Performance Committee are available through PKC website. Members of the public can access committee papers and minutes of meetings, with exempt items minimised as much as possible. We have not found any evidence to suggest that information is unjustifiably withheld from public scrutiny. Furthermore, members of the public can attend meetings of the Board.

Overall we concluded that the Board is open and transparent.

Conclusion

We consider that the IJB has appropriate governance arrangements in place and they provide a framework for effective organisational decision making.

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Wider scope and Best Value (continued)
Value for money

DRAFT

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

The Public Bodies (Joint Working) (Scotland) Act 2014 sets out a broad framework for creating integration authorities. This allowed boards a flexibility to enable them to develop integrated services that best suited local circumstances.

The Integration Scheme specifies the range of functions delegated by the PKC and NHS Tayside to the IJB. The IJB is responsible for establishing effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives, and holding partners to account.

Performance management

Integration authorities are required to contribute towards nine national health and wellbeing outcomes which are intended to focus on the needs of the individual to promote their health and wellbeing, and in particular, to enable people to live healthier lives in their community.

In order to review performance the IJB developed a performance management framework. An annual performance report was presented to the Audit and Performance committee during the June meeting. The report summarised performance within 2016-17 and set out improvement measures for 2017-18.

Value for money in key decisions

The IJB has faced difficult decisions over the course of the year, driven by financial challenges.

The board considers and discusses difficult decisions throughout the year as appropriate. These are supported by options appraisals and business cases where appropriate.

Conclusion

We consider that the IJB has appropriate arrangements for using resources effectively and continually improving services.

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Appendices

Mandated communications with the audit performance and committee

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MATTERS TO BE COMMUNICATED	LINK TO AUDIT AND PERFORMANCE COMMITTEE REPORTS
Relationships that may bear on the firm's Independence and the integrity and objectivity of the audit engagement partner and audit staff (ISA 260 and Combined Code)	See appendix three.
The general approach and overall scope of the audit, including levels of materiality, fraud risks, business risks and audit responses and engagement letter (ISA 260)	Main body of this paper.
Disagreement with management about matters that, individually or in aggregate, could be significant to the entity's financial statements or the auditor's report (ISA 260)	There were no such disagreements.
The potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements (ISA 260)	There are no such matters to report.
Audit adjustments, whether or not recorded by the entity that have, or could have, a material effect on the entity's financial statements (ISA 260)	There were no audit adjustments required to the draft financial statements which could have had a material effect on the IJB's financial statements.
The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the entity's financial statements (ISA 260)	Accounting policies and practices selected by the IJB are appropriate for the organisation and are in line with the requirements of the Local Authority code of Practice.
The auditor's view on valuations and related disclosures (ISA 260)	There are no valuations within the IJB's financial statements.
Material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern (ISA 260)	We have reviewed management's assessment that the IJB is a going concern and agree with this assessment.
Expected modifications to the auditor's report (ISA 260)	There are no modifications to the auditor's report.
Other matters warranting attention by those charged with governance, such as effectiveness of internal controls relevant to financial reporting, material weaknesses in internal control, questions regarding management integrity, and fraud involving management (ISA 260 and ISA 240)	There are no such matters to report.

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Appointed auditors responsibilities

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AREA	APPOINTED AUDITOR'S RESPONSIBILTIES	HOW WE'VE MET OUR RESPONSIBILITIES
Statutory duties	Undertake statutory duties, and comply with professional engagement and ethical standards.	We have undertaken our statutory duties and complied with professional and ethical standards. Our independence letter is at page 24.
Financial statements and related reports	Provide an opinion on audited bodies' financial statements and, where appropriate, the regularity of transactions.	Page 3 summarises the opinion we expect to provide.
Financial statements and related reports	Review and report on, as appropriate, other information such as annual governance statements, management commentaries, and remuneration reports.	Page 8 reports on the other information contained in the financial statements, covering the annual governance statement, management commentary and remuneration report.
Financial statements and related reports	Notify the Auditor General or Controller of Audit when circumstances indicate that a statutory report may be required.	No notifications to Controller of Audit required.
Corporate governance	Participate in arrangements to cooperate and coordinate with other scrutiny bodies.	Page 19 sets out our conclusion on these arrangements.
Wider audit dimensions	Demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies': — effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets; — suitability and effectiveness of corporate governance arrangements; — financial position and arrangements for securing financial sustainability; — effectiveness of arrangements to achieve best value; and — suitability of arrangements for preparing and publishing statutory performance information.	Our consideration of the wider dimensions is outlined on pages 14-20.

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Auditor independence

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Assessment of our objectivity and independence as auditor of Perth and Kinross IJB ("the IJB")

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

— General procedures to safeguard independence and objectivity;

— Independence and objectivity considerations relating to the provision of non-audit services; and

— Independence and objectivity considerations relating to other matters.

We will communicate any significant judgements made about threats to objectivity and independence and the appropriateness of safeguards put in place.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the APB Ethical Standards. As a result we have underlying safeguards in place to maintain independence through:

— Instilling professional values;

— Communications;

— Internal accountability;

— Risk management; and

— Independent reviews.

The conclusion of the audit engagement director as to our compliance with the FRC Ethical Standard in relation to this audit engagement and that the safeguards we have applied are appropriate and adequate is subject to review by an engagement quality control reviewer, who is a partner not otherwise involved in your affairs.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

We have considered the fees charged by us to the IJB for professional services provided by us during the reporting period.

The audit fee charged by us for the period ended 31 March 2017 was £20,000 (excl VAT). No other fees were charged in the period. No non-audit services were provided to the IJB and no future services have been contracted or had a written proposal submitted.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the IJB.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the IJB and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

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Action plan

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The action plan summarises specific recommendations arising from our work, together with related risks and management's responses.

We present the identified findings across four audit dimensions:

- financial sustainability; financial management; governance and transparency; and value for money.

Priority rating for recommendation		
Grade one (significant) observations are those relating to business issues, high level or other important internal controls. These are significant matters relating to factors critical to the success of the organisation or systems under consideration. The weaknesses may therefore give rise to loss or error.	**Grade two** (material) observations are those on less important control systems, one-off items subsequently corrected, improvements to the efficiency and effectiveness of controls and items which may be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified.	**Grade three** (minor) observations are those recommendations to improve the efficiency and effectiveness of controls and recommendations which would assist us as auditors. The weakness does not appear to affect the availability of the control to meet their objectives in any significant way. These are less significant observations than grades one or two, but we still consider they merit attention.

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
1. GP Prescribing budget *(page 16)* *Financial sustainability dimension*		**Grade one**
During the 2017-18 budget setting the board was informed that the Chief Finance Officer could not recommend approval of the budget proposition from NHS Tayside for GP prescribing. As at August 2017 there is still no approved 2017-18 GP prescribing budget or an agreed action plan to form a sustainable budget. **Risk:** The Board may be forced to use underspends from other areas to bridge the gap in the GP prescribing budget. This is not sustainable and there is a risk that the other services would be reduced as a result.	A budget for GP prescribing in 2017-18 should be finalised. In forming it the IJB should meet with NHS Tayside and agree a strategic action plan to address the prescribing spend. A sustainable prescribing position needs to be formed and the 2018-19 GP prescribing budget should be agreed before the start of the financial year.	**Management response:** Agreed. The Chief Officer and Chief Finance Officer have written to both Parent Bodies asking for a formal discussion to take place around the sufficiency of the GP Prescribing budget and the implications for risk sharing arrangements moving forward. **Responsible officer:** Rob Packham / Jane Smith **Implementation date:** October 2017

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Action plan (continued)

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Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
2. Financial Management; Reporting of financial position to the IJB *(page 17)* *Financial management dimension*		**Grade Two**
The IJB produces a finance update for each IJB meeting. The update presents information on IJB and Partnership year end over/under spend forecast, a summary of savings planned and savings booked and narrative to support to figures. The base budget position is not reported, only the over/under spend forecast against the budget. **Risk:** IJB members are not able to track spending in year against budget and identify significant over spends in order to implement savings plans.	The financial update should present the base budget position and variance year to date against this base budget position. This would allow appropriate levels of scrutiny over balances depending on the level of variance reported against budget.	**Management response:** Agreed. The base budget position will now be incorporated as part of routine monthly reporting. **Responsible officer:** Jane Smith **Implementation date:** October 2017
3. Partnership accountant post *(page 17)* *Financial management dimension*		**Grade Two**
The partnership accountant provides significant support to the day to day financial management and control within the IJB. The position is on a fixed term basis which ends in July 2018. **Risk:** Without the role of partnership accountant the CFO will have less time to focus on higher level strategic decisions, as a result of having to spend time on the operational running of the IJB.	It is recommended that a longer term solution is approved, either through a permanent post or extension of the temporary one with enough notice to enable the CFO to plan activities.	**Management response:** Agreed. The Chief Finance Officer has now received the full support from NHST and PKC colleagues to appoint to the Partnership Accountant Post on a permanent basis. **Responsible officer:** Jane Smith **Implementation date:** September 2017

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Prior year recommendations

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We follow up prior-year audit recommendations to determine whether these have been addressed by management. The table below summarised the recommendations made during the 2015-16 audit and their current status.

Number recommendations raised	Implemented	In progress	Overdue
4	3	**2**	-

We have provided a summary of progress against overdue actions below, and their current progress.

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions	Status
1. Public Notice Period			
The Local Authority Accounts (Scotland) Regulations 2014 require the board to publish on its website; 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 public notice was not completed within statutory deadlines and was only published through Perth & Kinross Council's website on 28 July 2016.	The board should ensure compliance with the publication requirements of the 2014 regulations and ensure its website is updated timeously with the required information.	Agreed the public notice deadline would be met for year 2016-17.	The 2016-17 unaudited accounts were published online in line with the Public Notice by 28 June 2017.
2. 2015-2016 Budget not approved			
The board did not agree a budget for 2015-16 and did not monitor the actual cost incurred.	The budget should be established and agreed prior to the commencement of the year and monitored regularly throughout the year.	The CFO will work with NHS Tayside and Perth and Kinross Council to align a budget setting timetable to support the delivery of a budget by 31 March each year.	A budget for 2017-18 was set on 24 March 2017. The budget was presented to the IJB through a formal procedure and agreed upon during the meeting. This report includes unidentified savings.

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Prior year recommendations (continued)

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Finding(s) and risk(s)	Recommendation(s)	Agreed management actions	Status
3. Public Notice Period			
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. There is a risk the board is unable to fund the services.	The board should continue to develop its recovery plan to address the funding gaps identified.	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.	A "Savings plan V Savings booked/ anticipated" is included in financial update, the information included comes from budget holders who are actively involved in providing services and from the CFO and Partnership Accountant. This is monitored on a monthly basis and included within each financial update presented to the board.
4. Performance Measures not yet developed			
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.	The board should develop and agree key performance measures to be used in monitoring performance against its strategic objectives.	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.	The setting of objectives has been an ongoing process. In June 2017 the IJB members were presented with an action plan that sets out the objectives, actions, measurable deliverable targets and timescales to complete objective. Each objective is also given a RAG rating; note no red ratings. Pending approval from the IJB this plan will be put into action.

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Perth and Kinross Integration Joint Board

Annual Accounts 2016/17

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SECTION 1: MANAGEMENT COMMENTARY

INTRODUCTION

This Management Commentary provides an overview of the key messages in relation to the objectives and strategy of Perth & Kinross Integration Joint Board (IJB) and the financial performance of the IJB for the year ended 31 March 2017. It also provides an indication of the issues and risks which may impact upon the finances of the IJB in the future.

Perth & Kinross Integration Joint Board was established as a body corporate by order of the Scottish Ministers on 3 October 2015 as part of the establishment of the framework for the integration of health and social care in Scotland under the Public Bodies (Joint Working) (Scotland) Act 2014.

The IJB has responsibility for providing social care and defined health care services for the residents Perthshire and Kinross encompassing an area of 5,000 square kilometres and a population of 150,000. In addition, the IJB provides specific health care services across Tayside by means of hosted services arrangements agreed in the Integration Scheme between NHS Tayside and Perth & Kinross Council. Perth & Kinross Council and the NHS Tayside (Health Board), as the parties to the Integration Scheme, each nominate four voting members to sit on the IJB. The Council nominates Elected Members and the Health Board Non-Executive Directors.

A Council nominee was the Chair of the IJB in 2016/17 and the Vice-Chair was drawn from NHS Board Non-Executive Directors. A number of non-voting Representative Members sit on the Integration Joint Board and contribute to its proceedings. These Representatives are chosen from the Third Sector, Carers, Services Users, and Council and NHS Board staff. A GP Stakeholder Member has also been appointed along with a Medical Practitioner who is not a GP.

Management support to the IJB is led by the Chief Officer. The operational structure is a composite of three principal service areas:

- Community Health / Hospital & Other Hosted Services
- Adult Social Care Services
- Inpatient Mental Health Services

The IJB has appointed a Clinical Director and a Chief Finance Officer. Corporate services including strategic planning, performance and business support services to the IJB are provided by NHS Tayside and Perth & Kinross Council.

PURPOSE AND OBJECTIVES OF THE IJB

The main purpose of integration is to improve the wellbeing of families, communities and people who use health and social care services, particularly those whose needs are complex and involve support from health and social care at the same time. The Integration Joint Board has approved the following Vision for the Health and Social Care Partnership as part of its approved Strategic Plan for 2016-19: "We will 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." The Integration Scheme puts in place a framework designed to deliver the National Health and Wellbeing Outcomes prescribed by the Scottish Ministers in Regulations under Section 5(1) of the Public Bodies (Joint Working) (Scotland) Act 2014. The IJB Strategic Plan sets out a number of Strategic Objectives and Policy Priorities with accompanying Implementation and Resource Plans, Performance Framework and Strategic Risk Assessment, all designed to ensure a direction of travel by the Partnership consistent with National Objectives. The Partnership's agreed Strategic Objectives are as follows:

1. Prevention and early intervention
2. Person-centred health, care and support
3. Working together with our communities
4. Reducing inequalities and unequal health outcomes and promoting healthy living
5. Making best use of available facilities, people and other resources

The plan places a lot of emphasis on the need for services and support to intervene early to prevent later, longer term issues arising, and enabling people to manage their own care and support by taking control and being empowered to manage their situation. Where this is not possible, our aim is for services to target resources where they are needed most, reducing ill health and deterioration and ultimately reducing health inequalities.

OPERATIONS FOR THE YEAR

The IJB's strategic ambitions sit alongside operational imperatives across a wide range of services. This creates a very challenging landscape to deliver major service redesign at the pace expected. However much progress has been made including:

- Locality Management Teams have now been established to drive forward the development of integrated care teams across Perth & Kinross.

- A review of Inpatient Hospital facilities is now underway working closely with clinicians at Perth Royal Infirmary and with staff across Community Hospitals.

- We have created a Discharge Hub at Perth Royal Infirmary (PRI) to improve the patient pathway and ensure integrated, co-ordinated responses for patients and their carers. This will be strengthened by a more integrated assessment service for frail elderly people arriving at PRI and a more flexible discharge service that will identify people who can go home earlier with the support of the health and care teams. Overall this has created a significant improvement in the number of people delayed in getting home after a stay in hospital.

- We have completed a full review of our Care at Home Service and now seek to implement a new model for our internal care at home team, which will support prevention, reablement and care package review.

- As the IJB responsible for hosting In Patient Mental Health and Learning Disabilities, we are undertaking a comprehensive review of these services across Tayside in collaboration with NHS Tayside, Angus and Dundee Health and Social Care Partnerships. By involving service users, carers, staff, voluntary organisations and communities, we aim to identify the best way to provide in patient services across Tayside for the future.

- A Partnership Transformation Board has been established with wide representation to ensure robust support and scrutiny of our wide portfolio of redesign plans.

Looking forward to 2017/18, the Partnership has a number of key priorities focused on ensuring future sustainability of services:

- Implementation of a new Care at Home Contract aimed at delivering sustainable Care at Home Services across Perth & Kinross.

- Complete the review of Day Services.

- Take forward a radical review of Carer Support for carers supporting people over the age of 65.

- Undertake a review of options for Intermediate Care Provision aimed at ensuring timely discharge from hospital to home and the prevention of admission/re-readmission to an acute hospital setting.

- Complete our review of Residential Care.

- Undertake a review of the Clinical workforce model supporting Inpatient Mental Health Services.

- Redesign our Mental Health Services for Older People to prevent crisis and to provide care within a more homely setting - by investing in community based services.

- Implement our plan for GP Engagement to support sustainable future services and to improve the quality, cost effectiveness and safety of prescribing across the HSCP by addressing variation between GP practices and from the Scottish mean.

- Development of Integrated Locality Teams which will provide seamless and enhanced person centred care & support as close as possible to the person's home.

FINANCIAL MANAGEMENT

Background

The IJB's finances are overseen by the IJB's Chief Finance Officer with support from Finance functions within Perth & Kinross Council and NHS Tayside. This support is provided as part of overall arrangements for corporate support services whereby Perth & Kinross Council and NHS Tayside provide a range of services including, for example, Finance, Human Resources and Committee Services support without charge to Perth & Kinross IJB.

Prior to April 2016, the IJB had developed the financial governance infrastructure required to allow it to assume new responsibilities from 1st April 2016. That financial governance infrastructure continues to be reviewed and refreshed.

Analysis of Financial Statements

The main objective of the Annual Accounts is to provide information about the financial position of the IJB that is useful to a wide range of users in making and evaluating decisions about the allocation of resources. During 2015/16, the IJB was non-operational and consequently comparisons with previous years are of limited value.

The 2016/17 Annual Accounts comprise:-

a) Comprehensive Income and Expenditure Statement – This statement shows that the IJB made an overall surplus of £1.386m in 2016/17 on the total income of £194m. This overall under spend (0.7% of 2016/17 income) will be carried forward into 2017/18 through the IJB's reserves.

b) Against health budgets an underlying over spend of £2.774m was reported. However in line with the risk sharing agreement agreed with NHS Tayside and Perth & Kinross Council for the first two years of the IJB, NHS Tayside devolved further non-recurring budget to the IJB to balance income with expenditure. A break –even position for 16/17 is therefore reported against health budgets.

c) Against Social Care budgets, an underlying under spend of £2.549m was reported. Of this £1.984m, although not planned, had been forecast in the latter months of the financial year. The Integration scheme sets out that under spends will be retained by the IJB as reserves following agreement with the Partners. Agreement was reached with Perth & Kinross Council prior to 31 March 2017 that £1.386m would be retained by the IJB to meet agreed social care priorities with the £598k balance to be retained by Perth & Kinross Council in an earmarked reserve for the IJB against which priorities will be discussed and agreed in 2017/18. The unanticipated additional £565k year-end underspend will similarly be retained by PKC whilst further discussions take place around social care priorities.

The final underspend differs from that reported in the Perth and Kinross Council unaudited annual accounts, due to property maintenance costs not directly allocated to the IJB.

d) Movement in Reserves – The IJB carried nil reserves into 2016/17 but, due to the operating surplus noted above, has year-end reserves of £1.386m. These are held in line with the IJB's reserves policy.

e) Balance Sheet – In terms of routine business the IJB does not hold assets, however the reserves noted above are reflected in the year-end balance sheet.

f) Notes, comprising a summary of significant accounting policies, analysis of significant figures within the Annual Accounts and other explanatory information.

The Annual Accounts for 2016/17 do not include a Cash Flow Statement as the IJB does not hold any cash or cash equivalents.

Financial Outlook, Risks and Plans for the Future

The IJB, like many others, faces significant financial challenges and will be required to operate within very tight financial constrains for the foreseeable future due to the difficult national economic outlook and increasing demand for services.

A Financial Plan for 2017/18 is currently in development with the objective that the IJB operates within resources available. A budget settlement with Perth & Kinross Council has been agreed. Discussions are continuing with NHS Tayside in relation to Prescribing and Inpatient Mental Health (which Perth & Kinross IJB hosts on behalf of all three IJB's (Dundee IJB, Angus IJB and Perth & Kinross IJB)).

Both settlements present significant challenges in terms of accommodating demographic and inflationary type pressures and for health budgets, the added requirement of delivering savings targets that have been carried forward from previous years.

The overall Financial Plan will need to address the following savings requirements inherent in each budget settlement:-

Developed Budget	Perth and Kinross Council	NHS Tayside (Excluding Prescribing/IPMH)	Prescribing	Inpatient Mental Health*	Total
	£000	£000	£000	£000	£000
Initial Shortfall	4,178	1,754	1,920	2,555	10,407
Plans in place	4,232	1,559	247	1,997	8,035
Residual Shortfall (June 2017)	(54)	195	1,673	558	2,372

The overall position for Inpatient Mental Health is shown as this is a service hosted by Perth & Kinross IJB. However the IJB's share of this service has been agreed as 33.5%.

This table clearly demonstrates the importance of Perth & Kinross IJB being able to deliver all the plans currently in place and, in discussion with NHS Tayside the need to identify further savings/income measures. For Prescribing, a wider discussion will be required around sustainability.

Shifting the balance of care, a core strategic objective of the IJB, will be key to delivering a sustainable future financial position. Only through fundamental redesign of services will a number of the current workforce challenges be addressed and efficiencies delivered. Our workforce challenges include nursing staff across our hospital services, care at home and medical staffing for Mental Health Services and Psychiatry of Old Age.

The Partnership is leading an ambitious Pan-Tayside review of Inpatient Mental Health Services which is due to identify a preferred option in 2017/18 and this redesign along with a parallel review of clinical models represents a fundamental opportunity to bring services into recurring financial balance.

The significant gap between spend and current budget available to meet the cost of GP Prescribing represents the most significant financial risk to the IJB. The agreement of a GP Engagement Plan to put our GP's at the heart of the work to deliver a sustainable GP Prescribing position will be a priority focus for the Partnership in 2017/18.

FURTHER INFORMATION

These Annual Accounts refer to both the Perth & Kinross IJB Integration Scheme and the Perth & Kinross IJB Strategic Plan. These can be found at:

Perth & Kinross IJB Integration Scheme:

http://www.pkc.gov.uk/media/36049/Perth-and-Kinross-Integration-Scheme/pdf/Approved_Health___Social_Care_Integration_Scheme

Perth & Kinross IJB Strategic Plan:

http://www.pkc.gov.uk/media/38714/Health-and-Social-Care-Strategic-Commissioning-Plan/pdf/2016193_strat_comm_plan_CLIENT

Perth & Kinross IJB publishes all formal Board papers at:

http://www.pkc.gov.uk/ijb

Further information regarding the Annual Accounts can be obtained from:

Chief Finance Officer, Perth & Kinross IJB, 2 High Street, Perth PH1 5PH.

CONCLUSION AND ACKNOWLEDGEMENTS

We are pleased to record that during 2016/17 the IJB has successfully delivered health and social care services to the population of Perth and Kinross and, for hosted services, to the population of Tayside. We acknowledge this has been a challenging year and the IJB's success has only been achieved through the hard work of staff employed in Perth & Kinross Council and NHS Tayside and other partner organisations.

Looking forward, while the IJB faces continuing challenging financial circumstances it also plans to continue to take advantage of the opportunities available through Health and Social Care Integration to best deliver affordable health and social care services for the population of Perth & Kinross.

Councillor Crawford Reid 26/9/17
IJB Chair

Rob Packham 26/9/17
Chief Officer

Jane Smith 26/9/17
Chief Financial Officer

SECTION 2: STATEMENT OF RESPONSIBILITIES

This statement sets out the respective responsibilities of the IJB and the Chief Financial Officer, as the IJB's Section 95 Officer, for the Annual Accounts.

Responsibilities of the Integration Joint Board

The Integration Joint Board is required to:

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

I confirm that these Annual Accounts were approved for signature at a meeting of the Integrated Joint Board on 26 September 2017.

Signed on behalf of the Perth and Kinross IJB

Councillor Crawford Reid 26/9/17
IJB Chair

Responsibilities of the Chief Financial Officer

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

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

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

The Chief Financial Officer has also:

- kept proper accounting records which were up to date

- taken reasonable steps for the prevention and detection of fraud and other irregularities

I certify that the financial statements give a true and fair view of the financial position of the Perth and Kinross Integration Joint Board as at 31 March 2017 and the transactions for the year then ended.

Jane Smith 26/9/17
Chief Financial Officer

SECTION 3: REMUNERATION REPORT

INTRODUCTION

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

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

BOARD MEMBERS

At 31 March 2017, Perth and Kinross IJB had 8 voting members and 13 non-voting members 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)	Dr Drew Walker (Director of Public Health)
Jane Smith (Chief Finance Officer)	Allan Drummond (Staff Organisations Rep.)
Bill Atkinson (Chief Social Work Officer)	Fiona Fraser (Staff Organisations Rep.)
Dr Neil Prentice (Associate Medical Director)	Helen McKinnon (Third Sector Representative)
Dr Neil McLeod (Medical Practitioner GP)	Ann Gourlay (Service User Representative)
Jim Foulis (Associate Nurse Director)	Bernie Campbell (Carers Representative)
Dr Alistair Noble (SACH and External Advisor)	

As at May 2017, the four nominated representatives of Perth and Kinross Council on the IJB during 2016/17 all stood down following Local Government elections.

Consequently the IJB will have four new Perth and Kinross Council nominated representatives on the IJB in 2017/18.

IJB CHAIR AND VICE CHAIR

The voting members of the IJB are appointed through nomination by Perth & Kinross Council and NHS Tayside. Nomination of the IJB Chair and Vice Chair post holders alternates between a Councillor and a Health Board representative.

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

Taxable Expenses 2015/16 £	**Name**	**Post(s) Held**	**Nominated by**	**Taxable Expenses 2016/17 £**
Nil	Councillor Dave Doogan	Chair	Perth & Kinross Council	Nil
Nil	Linda Dunion	Vice Chair	NHS Tayside	Nil
Nil	**Total**			**Nil**

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

OFFICERS OF THE IJB

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

<u>Chief Officer</u>

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

Chief Officer

The Integration Joint Board requires to appoint a proper officer who has responsibility for the administration of its financial affairs in terms of Section 95 of the 1973 Local Government (Scotland) Act. The employing contract for the Chief Financial Officer will adhere to the legislative and regulatory governance of the employing partner organisation. The remuneration terms of the Chief Financial Officer as approved by the IJB.

Other Officers

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

Total 2015/16 £	**Senior Employees**	**Salary, Fees & Allowances £**	**Total 2016/17 £**
40,662	**Rob Packham** Chief Officer	85,253	85,253
16,548	**Jane Smith** Chief Financial Officer	69,860	69,860
	Total	**155,113**	**155,113**

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

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

Senior Employee	In Year Pension Contributions		Accrued Pension Benefits		
	For Year to 31/03/16 £	For Year to 31/03/17 £		Difference from 31/03/16 £	As at 31/03/17 £
Rob Packham Chief Officer	6,059	12,703	Pension	2,300	22,998
			Lump sum	6,900	68,994
Jane Smith Chief Financial Officer	2,466	10,409	Pension	(1,017)	19,165
			Lump sum	(6,931)	49,187
Total	**8,525**	**23,112**	**Pension**	**1,283**	**42,163**
			Lump Sum	**(31)**	**118,181**

Disclosure by Pay Bands

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

Number of Employees in Band 2015/16	Remuneration Band	Number of Employees in Band 2016/17
1	£65,000 - £69,999	1
1	£85,000 - £89,999	1

Councillor Crawford Reid 26/9/17

IJB Chair

Rob Packham 26/9/17

Chief Officer

SECTION 4: ANNUAL GOVERNANCE STATEMENT

INTRODUCTION

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

SCOPE OF RESPONSIBILITY

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

To meet this responsibility the IJB has established arrangements for governance that includes a system of internal control. The system is intended to manage risk to support achievement of the IJB's policies, aims and objectives. Reliance is also placed on the NHS Tayside and Perth & Kinross Council systems of internal control that support compliance with both organisations policies and promotes achievement of each organisations aims and objectives including those of the IJB. Assurance has been received from both NHS Tayside and Perth and Kinross Council as to the effectiveness and adequacy of those systems.

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

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values by which the IJB is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the IJB to monitor the achievement of its strategic priorities and to consider whether those priorities have led to the delivery of appropriate, cost-effective services. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Perth & Kinross IJB's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

OUR GOVERNANCE FRAMEWORK

The Board of the IJB comprises voting members, nominated by either NHS Tayside or Perth & Kinross Council, as well as non-voting members including a Chief Officer appointed by the Board.

The main features of the governance framework that were in place during 2016/17 are summarised below:

- The IJB, comprising all IJB Board members, was the key decision making body.
- Induction and ongoing development sessions have been provided to all IJB Board Members.
- The Audit and Performance Committee was established in 2016/17 and considered all matters in relation to Internal and External Audit, risk management and performance.
- Strategic decision-making is governed by the IJB's key constitutional documents including the Integration Scheme, standing orders, scheme of administration, scheme of delegation to officers and financial regulations.
- The IJB's purpose and vision are outlined in the IJB Strategic Plan. Regular progress reports on the delivery of the Strategic Plan were provided to the IJB.
- A risk management strategy has been agreed and the strategic risks of the IJB identified. Regular review mechanism is in place and overall scrutiny and review undertaken by the Audit & Performance Committee.
- The Performance Management Strategy focuses very firmly on embedding a performance management culture throughout the IJB.
- The IJB has adopted a 'Code of Conduct' for all of its Board Members and employees, a register of interests is in place for all Board members and senior officers.
- The IJB has a Participation and Engagement Strategy and Communications Strategy in place.
- The IJB's transformation programme has been developed and scrutinised through the establishment of the Partnership Transformation Board.
- Clearly defined roles and responsibilities have been established for the Chief Officer, Chief Financial Officer and members of the Partnership Team.
- The IJB has established 3 locality planning forums and has set out an outline locality development plan.
- Financial management arrangements conform to the governance requirements of the CIPFA statement: 'The Role of the Chief Financial Officer in Local Government (2010)'. This included regular reports to the IJB of performance against budget.

SYSTEM OF INTERNAL CONTROL

The governance framework above operates on the foundation of internal controls including management and financial information, financial regulations, administrative procedures, management supervision and a system of delegation and accountability.

The Board uses the systems of NHS Tayside and Perth & Kinross Council to manage its financial records. Development and maintenance of the systems is undertaken by NHS Tayside and Perth & Kinross Council as part of the operational delivery of the Health & Social Care Partnership. In particular the systems include:-

- Comprehensive budgeting systems;
- Setting of targets to measure financial performance; and
- Regular reviews of periodic and annual financial reports that indicate financial performance against the forecasts.

The wider internal control framework includes:-

- Complaints handling
- Clinical Care Governance monitoring arrangements
- Whistle blowing
- Data Sharing
- Procedural frameworks including Scheme of Delegation; Standing Financial instructions, standing orders and scheme of administration
- Internal Audit Function
- Reliance on procedures, processes and systems of partner organisations

REVIEW OF ADEQUACY AND EFFECTIVENESS

Perth & Kinross IJB has responsibility for conducting, at least annually a review of the effectiveness of its governance framework including the system of internal control.

The review of the effectiveness of the framework has been informed by:-

- the work of the Executive Management Team who have responsibility for development and maintenance of the governance environment;
- the Annual Report by the Chief Internal Auditor;
- Reports from Audit Scotland and other review agencies; and
- Self assessment against the Delivering Good Governance in Local Government Framework 2016 Edition (CIPFA).

The Chief Internal Auditor reports directly to the IJB Audit & Performance Committee on all audit matters, with the right of access to the Chief Officer, Chief Financial Officer and Chair of the Audit & Performance Committee on any matter.

In addition to regular reports to the IJB's Audit & Performance Committee during 2016/17, the Chief Internal Auditor prepares an annual report to the Audit & Performance Committee including an assurance statement containing a view on the adequacy and effectiveness of the systems of internal control.

The Internal Audit Annual Report 2016/17, received by the Audit & Performance Committee on 27 June 2017, highlights findings by the IJB's Internal Audit section which indicate some weaknesses in the internal control environment.

None of these are considered material enough to have a significant impact on the overall control environment and it is the opinions of the Chief Internal Auditor that the systems of internal control relied upon by the IJB provide reasonable assurance against loss.

ACTION PLAN FOR 2017/18

The IJB acknowledges that as a relatively new body working in a complicated governance environment, further review and development of governance arrangements is still required. A number of areas for continued development and review have been identified and will include:-

- Formally set out the overall governance framework that supports the relationship between Perth & Kinross Council, NHS Tayside and Perth & Kinross IJB and establish a clear basis on which to share this with officers, members and wider staff to ensure that roles and responsibilities and accountabilities are consistently understood.
- Risk management in practice: establish clear protocols for risk management at both strategic and operational level that align with the governance structure within which the IJB and Partnership operate. In particular ensure that Clinical and Care Risk Management responsibilities both at strategic and operational level are clearly established with a clear programme of work in place to improve performance and mitigate risk.
- Review scrutiny and review arrangements including role, remit and membership of Executive Management Team (EMT)/Chief Officer Group(COG)/Joint Senior Management Team (Joint SMT). EMT/COG/Joint SMT/ Transformation Board etc and establish clear routes to Perth and Kinross Council (PKC) and NHS Tayside (NHST) existing committees.
- Review and strengthen the role of the Strategic Planning Group moving forward to ensure direct involvement in the planning of services moving forward.
- Review the basis on which the partnership are engaging with communities, ensuring that a robust process exists that encourages active participation of service users, carers and communities in designing services.
- Development of 2017/18 Strategic Delivery Action Plan with timescales and clear Senior Responsible Officer's(SRO's) against agreed actions and close alignment with Performance Framework.
- With the Partnership Team develop a shared culture and identity that is linked to a shared vision around the future shape of health and social care across Perth & Kinross.
- Review the organisational structure of the Partnership Team to ensure sufficient leadership and strategic planning capacity which takes account of our significant Hosted Service responsibilities.
- Develop a model for clinical leadership and engagement across all services to ensure that our medical staff are at the heart of designing sustainable future health and social care services.

- Development of Large Hospitals Set Aside arrangements in conjunction with NHS Tayside.
- Development of improved Hosted Services arrangements including improved sharing of information between Perth & Kinross IJB, Dundee IJB and Angus IJB.
- Review the effectiveness of corporate support arrangements that the IJB is reliant upon provided by NHS Tayside and Perth & Kinross Council.
- Review the training requirements for Board Members.
- Establish a robust system to support performance management at locality, partnership and strategic IJB level.
- 2017/2018 objectives agreed for senior leadership team aligned to Strategic Delivery Action Plan along with training and development plan.
- Work with both NHST and PKC to consider the sufficiency of the GP Prescribing budget and the how best to ensure financial sustainability moving forward.
- Work with NHST and PKC to develop principles to underpin an aligned approach to budget setting for 2018/19.

CONCLUSION AND OPINION ON ASSURANCE

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

We consider that internal control environment operating during 2016/17 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our objectives will be identified and actions taken to avoid or mitigate their impact.

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

Councillor Crawford Reid IJB Chair	26/9/17
Rob Packham Chief Officer	26/9/17

SECTION 5: ANNUAL ACCOUNTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the cost of providing services for the year according to accepted accounting practices. Where the impact on the General Fund is amended by statutory adjustments this is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2015/16			2016/17		
Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000		£000	£000	£000
-	-	Community and Hospital Health Services	43,423	-	43,423
-	-	Hosted Health Services	20,751	-	20,751
-	-	GP Prescribing/General Medical/Family Health	63,638	-	63,638
-	-	Large Hospital Set aside	17,672	-	17,672
-	96	IJB Operating Costs	226	-	226
		Community Care	46,831	-	46,831
0	**96**	**Cost of Services**	**192,541**	**0**	**192,541**
(96)	(96)	Taxation and Non-Specific Grant Income (Note 4)	-	(193,927)	(193,927)
0	**0**	**(Surplus) or Deficit on Provision of Services**	**192,541**	**(193,927)**	**(1,386)**
		Total Comprehensive (Income) and Expenditure (Note 3)			**(1,386)**

The IJB was established on 3 October 2015. Integrated delivery of health and care services did not commence until 01 April 2016. Consequently the 2016/17 financial year is the first fully operational financial year for the IJB and the figures above reflect this.

MOVEMENT IN RESERVES STATEMENT

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

Movements in Reserves During 2016/17	General Fund Balance	Unusable Reserves: Employee Statutory Adjustment Account	Total Reserves
	£000	£000	£000
Opening Balance at 31 March 2016	**-**	**-**	**-**
Total Comprehensive Income and Expenditure	(1,386)	0	(1,386)
Increase or Decrease in 2016/17	**(1,386)**	**0**	**(1,386)**
Closing Balance at 31 March 2017	**(1,386)**	**0**	**(1,386)**

BALANCE SHEET

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

31 March 2016		**Notes**	**31 March 2017**
£000			£000
-	Short term Debtors	5	1,386
-	**Current Assets**		**1,386**
-	Short-term Creditors		-
-	**Current Liabilities**		-
-	Provisions		-
-	**Long-term Liabilities**		-

0	**Net Assets**		**1,386**
0	Usable Reserve: General Fund	6	(1,386)
0	Unusable Reserve: Employee Statutory Adjustment Account		0
0	**Total Reserves**		**(1,386)**

Jane Smith 26/9/17

Chief Financial Officer

SECTION 6: NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

A. GENERAL PRINCIPLES

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

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

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

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

B. ACCRUALS OF INCOME AND EXPENDITURE

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

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

C. FUNDING

The IJB is funded through funding contributions from the statutory funding partners, Perth and Kinross Council and NHS Tayside. Expenditure is incurred as the IJB commissions specified health and social care services from the funding partners for the benefit of service recipients in Perth and Kinross.

D. CASH AND CASH EQUIVALENTS

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

E. EMPLOYEE BENEFITS

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

The IJB has a legal responsibility to appoint a Chief Officer and a Chief Financial Officer. More details on the arrangements are provided in the Remuneration Report. The charges from the employing partner are treated as employee costs.

Charges from funding partners for other staff are treated as administration costs.

F. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

A contingent liability is a possible liability arising from events on or before 31 March, whose existence will only be confirmed by later events. A provision that cannot be reasonably estimated, or where settlement is not probable, is treated as a contingent liability. A contingent liability is not recognised in the IJB's Balance Sheet, but is disclosed in a note where it is material.

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

G. RESERVES

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

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

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

H. INDEMNITY INSURANCE

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

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

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

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

I. RELATED PARTY TRANSACTIONS

Related parties are organisations that the IJB can control or influence or who can control or influence the IJB. As partners in the Joint Venture of Perth and Kinross Integration Joint Board, both Perth and Kinross Council and NHS Tayside are related parties and material transactions with those bodies are disclosed in note 8 in line with the requirements of IAS 24 Related Party Disclosures.

J. SUPPORT SERVICES

Support services were not delegated to the IJB and are provided by the Council and the Health Board free of charge as a 'service in kind'. These arrangements were outlined in the report of Corporate Supporting Arrangements to the IJB on 23 March 2016.

NOTE 2: EVENTS AFTER THE REPORTING PERIOD

The Annual Accounts were authorised for issue by the Chief Financial Officer on 26 September 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

NOTE 3: EXPENDITURE AND INCOME ANALYSIS BY NATURE

2015/16		2016/17
£000		£000
-	Services commissioned from Perth and Kinross Council	46,831
-	Services commissioned from NHS Tayside	145,484
90	Other IJB Operating Expenditure	199
1	Insurance and Related Expenditure	3
5	External Audit Fee	24
(96)	Partner Funding Contributions and Non-Specific Grant Income	(193,927)
0	**(Surplus) or Deficit on the Provision of Services**	**(1,386)**

Costs associated with the Chief Officer and Chief Financial Officer are included within "other IJB operating expenditure". The insurance and related expenditure relates to CNORIS costs (see note 1,H). Auditor fees related to fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor.

NOTE 4: TAXATION AND NON-SPECIFIC GRANT INCOME

2015/16		2016/17
£000		£000
(48)	Funding Contribution from Perth and Kinross Council	(48,229)
(48)	Funding Contribution from NHS Tayside	(145,698)
(96)	**Taxation and Non-specific Grant Income**	**(193,927)**

The funding contribution from NHS Tayside shown above includes £17,672,000 in respect of 'set aside' resources relating to acute hospital and other resources. These are provided by the NHS which retains responsibility for managing the costs of providing the services. The IJB however has responsibility for the consumption of, and level of demand placed on, these resources.

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

NOTE 5: DEBTORS

2015/16		2016/17
£000		£000
0	Perth and Kinross Council	1,386
0	**Debtors**	**1,386**

Amounts owed by the funding partners are stated on a net basis. Creditor balances relating to expenditure obligations incurred by the funding partners but not yet settled in cash terms are offset against the funds they are holding on behalf of the IJB.

NOTE 6: USABLE RESERVE: GENERAL FUND

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

- To earmark, or build up, funds which are to be used for specific purposes in the future, such as known or predicted future expenditure needs. This supports strategic financial management.
- To provide a contingency fund to cushion the impact of unexpected events or emergencies. This is regarded as a key part of the IJB's risk management framework.

NOTE 7: AGENCY INCOME AND EXPENDITURE

On behalf of all IJBs within the NHS Tayside area, Perth and Kinross IJB acts as the host partnership for Learning Disability Inpatient services, Substance Misuse Inpatient services, Public Dental services/Community Dental services, General Adult Psychiatry (GAP) Inpatient services, Prisoner Healthcare and Podiatry.

The IJB directs services on behalf of Dundee and Angus IJBs and reclaims the full costs involved. The payments that are made on behalf of the other IJBs, and the consequential reimbursement, are not included in the Comprehensive Income and Expenditure Statement (CIES) since the IJB is not acting as principal in these transactions.

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

2015/16		2016/17
£000		£000
-	Expenditure on Agency Services	21,228
-	Reimbursement for Agency Services	(21,228)
	Net Agency Expenditure excluded from the CIES	**0**

NOTE 8: RELATED PARTY TRANSACTIONS

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

<u>Income – payments for integrated functions</u>

2015/16		2016/17
£000		£000
-	Perth and Kinross Council	48,229
-	NHS Tayside	145,698
	Total	**193,927**

<u>Expenditure – payments for delivery of integrated functions</u>

2015/16		2016/17
£000		£000
-	Perth and Kinross Council	62,005
-	NHS Tayside	130,337
-	NHS Tayside: Key Management Personnel Non-Voting Board	199
-	**Total**	**192,541**

Key Management Personnel: The non-voting Board members employed by the NHS Board and recharged to the IJB include the Chief Officer; the Chief Financial Officer. Details of the remuneration for some specific post-holders are provided in the Remuneration Report.

Perth and Kinross Council employs the council staff and Chief Social Work Officer representatives on the IJB Board but there is no discrete charge for this representation.

Balances with Perth and Kinross Council

2015/16		**2016/17**
£000		£000
-	Debtor balances: Amounts due from Perth and Kinross Council	1,386
-	Creditor balances: Amounts due to Perth and Kinross Council	-
-	**Total**	**1,386**

Balances with NHS Tayside

2015/16		**2016/17**
£000		£000
-	Debtor balances: Amounts due from NHS Tayside	-
-	Creditor balances: Amounts due to NHS Tayside	-
-	**Total**	**-**

NOTE 9: CONTINGENT ASSETS AND LIABILITIES

A review for contingent assets and liabilities has been undertaken for the IJB and none have been identified at 31 March 2017.

NOTE 10: VAT

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

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

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

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

SECTION 7: INDEPENDENT AUDITOR'S REPORT

SECTION 8: GLOSSARY OF TERMS

While the terminology used in this report is intended to be self-explanatory, it may be useful to provide additional definition and interpretation of the terms used.

Accounting Period

The period of time covered by the Accounts normally a period of twelve months commencing on 1 April each year. The end of the accounting period is the Balance Sheet date.

Accruals

The concept that income and expenditure are recognised as they are earned or incurred not as money is received overpaid.

Asset

An item having value to the IJB in monetary terms. Assets are categorised as either current or non-current. A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock). A non-current asset provides benefits to the IJB and to the services it provides for a period of more than one year.

Audit of Accounts

An independent examination of the IJB's financial affairs.

Balance Sheet

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Consistency

The concept that the accounting treatment of like terms within an accounting period and from one period to the next is the same.

Contingent Asset/Liability

A Contingent Asset/Liability is either:

- A possible benefit/obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the IJB's control; or
- A present benefit/obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

Creditor

Amounts owed by the IJB for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

Debtor

Amount owed to the IJB for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

Defined Benefit Pension Scheme

Pension scheme in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

Entity

A body corporate, partnership, trust, unincorporated association or statutory body that is delivering a service or carrying on a trade or business with or without a view to profit. It should have a separate legal personality and is legally required to prepare its own single entity accounts.

Post Balance Sheet Events

Post Balance Sheet events are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Annual Accounts are authorised for issue.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the IJB and which need to be disclosed separately by virtue of their size or incidence to give a fair presentation of the accounts.

Government Grants

Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the IJB. These grants may be specific to a particular scheme or may support the revenue spend of the IJB in general.

IAS

International Accounting Standards.

IFRS

International Financial Reporting Standards.

IRAG

Integration Resources Advisory Group

LASAAC

Local Authority (Scotland) Accounts Advisory Committee

Liability

A liability is where the IJB owes payment to an individual or another organisation. A current liability is an amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn. A non-current liability is an amount which by arrangement is payable beyond the next year at some point in the future or will be paid off by an annual sum over a period of time.

Provisions

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PSIAS

Public Sector Internal Audit Standards.

Related Parties

Bodies or individuals that have the potential to control or influence the IJB or to be controlled or influenced by the IJB. For the IJB's purposes, related parties are deemed to include voting members, the Chief Officer, the Chief Finance Officer, the Heads of Service and their close family and household members.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the monetary value of any other benefits received other than in cash.

Reserves

The accumulation of surpluses, deficits and appropriation over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the IJB.

Revenue Expenditure

The day-to-day expenses of providing services.

Significant Interest

The reporting authority is actively involved and is influential in the direction of an entity through its participation in policy decisions.

SOLACE

Society of Local Authority Chief Executives.

The Code

The Code of Practice on Local Authority Accounting in the United Kingdom.

6.2

G/17/161

PERTH AND KINROSS INTEGRATION JOINT BOARD

AUDIT & PERFORMANCE COMMITTEE

26 SEPTEMBER 2017

INTERNAL AUDIT OUTPUT SHARING PROTOCOL

Report by Chief Internal Auditor

PURPOSE OF REPORT
The purpose of the report is to consider how relevant audit outputs of each of these bodies should be shared.

1. RECOMMENDATION(S)

The Audit & Performance Committee is asked to:

- comment on the attached paper as a basis for agreement with partner NHS and Local Authority Audit Committees and;
- Request the Director of Finance, through the IJB Chief Internal Auditor to designate IJB auditors as having the same rights of access whilst conducting relevant IJB Internal Audits

2. SITUATION/BACKGROUND / MAIN ISSUES

Following the creation of the three IJBs within the NHS Tayside area, there has been a corresponding need, informed by Integrated Resource Advisory Group (IRAG) guidance, for each of these bodies to have an Internal Audit function. The nature of Health and Social Care Integration is such that the control systems of the Health Board, the IJBs and the three Local Authorities are inextricably linked and it is therefore necessary to consider how relevant audit outputs of each of these bodies should be shared.

Following discussions with Local Authority Chief Internal Auditors, the attached paper has been prepared for consideration by all relevant Audit Committees.

In addition there is the need to consider the rights of IJB audit staff who may require access to Health Board employees, documents and property. Currently, under the Standing Financial Instructions (SFIs) and the NHS Tayside Internal Audit Charter, such rights are granted to NHS Tayside designated Auditors conducting audits within NHS Tayside. SFIs and the Audit Charter state that

"*The Director of Finance or designated auditors are entitled without necessarily giving prior notice to require and receive:*

- *Access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;*
- *Access at all reasonable time to any land, premises or employee of each organisation;*
- *The production of any cash, stores or other property of each organisation under an employee's control; and*
- *Explanations concerning any matter under investigation."*

3. PROPOSALS

IRAG guidance requires the sharing of IJB Internal Audit plans and annual reports with the parent bodies. The attached paper extends that principle to allow for relevant assurances to be provided to each body within the system. Additional consideration will also need to be given to the scope of the information provided; NHS Tayside's Internal Audit Reporting protocol allows all Audit Committee members full access to all NHS Tayside Internal Audit Reports and all reports graded 'D' or below are presented in full to the Audit Committee. The same systems do not apply within all Local Authority Partners and there will need to be further discussion on the issue of whether IJB Audit Committee members will be entitled to receive full reports from the parent bodies and vice-versa.

The NHS Tayside Chief Executive has agreed that it would be sensible to grant IJB Internal Auditors the access required to fulfil the IJB Internal Audit plans. In discussion with Local Authority Chief Internal Auditors, it became clear that this principle may not be as readily accepted by Local Authorities and they agreed to consult with their legal teams.

Author(s)

Name	**Designation**	**Contact Details**
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NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), were relied on to any material extent in preparing this report.

Tayside IJBs / NHS Tayside / Tayside Local Authorities – Sharing of Audit Outputs Protocol

Introduction

FTF Audit, the Internal Audit service providers for NHS Tayside, were appointed to provide the Chief Internal Auditor function for all Tayside IJBs with the Internal Auditors of both parties providing input to the delivery of the IJB audit plans. This arrangement will be reviewed by all Tayside IJBs in 2017/18.

In the new integrated environment, there may be a need to share internal audit outputs beyond the organisation that commissioned the work, in particular where the output (e.g. internal audit reports, follow-up reports, internal audit plans and internal audit annual report / opinion) is considered relevant to one or more of the other partners for assurance purposes. It is important that this sharing of information happens in a controlled manner to facilitate joint working, protect confidentiality and avoid duplication of effort.

Integrated Resource Advisory Group (IRAG) guidance states that '' *To ensure that the risk based audit plans for the Integration Joint Board, Local Authority and Health Board are co-ordinated to ensure proper coverage, avoid duplication of efforts and determine areas of reliance from the work of each team, it is recommended that the Chief Internal Auditors for each of the respective bodies share information, co-ordinate activities with each other and with other external providers of assurance and consulting services.*

This paper sets out principles in relation to the sharing of Internal Audit outputs and granting of access, in order that all parts of the system receive appropriate information on the adequacy and effectiveness of internal control within their purview, including controls operated by other bodies which impact on their control environment. Throughout this paper, Audit Committee refers to the Standing Committee of the organisation charged with responsibility for audit and assurance.

Audit Planning

IRAG guidance states that '*The risk based audit plan should be developed by the Chief Internal Auditor of the Integration Joint Board and approved by the Integration Joint Board or other committee (see 2.6 Audit Committees). It is recommended that it is shared with the relevant committees of the Health Board and Local Authority.'* This principle is agreed and the approved IJB annual internal audit plans will be shared with the relevant committees of NHS Tayside and the Tayside Local Authorities. Given that the IJBs are reliant on assurances provided by the parties on their systems and also to ensure that plans can be seen to be coherent over the whole system, the Internal Audit plans of the Health Board and Local Authorities will also be presented to the IJB Audit Committee for noting. This will also provide each Audit Committee, whilst respecting the primacy of the organisation for whom the report is prepared, with the opportunity to identify any relevant audits from another body which they may wish to receive assurance from and to highlight any areas where they might wish to ensure that particular issues, relevant to their IJB are taken into account.

Individual Audit Reports

IJB Audits

When conducting audits of the IJB, FTF and Local Authority Internal Auditors will use their respective methodologies, both of which are compliant with Public Sector Internal Audit Standards (PSIAS). However, an agreed standard report format will be used for all IJB Internal Audit Reports. The Internal Auditors have separately agreed a joint working protocol which sets out the audit process for all work which will be conducted within the terms of Internal Audit Charter approved by each IJB Audit Committee and the requirements of PSIAS.

A summary final report for each audit assignment will be presented to the IJB Audit Committee for scrutiny purposes, with a full copy available to IJB Audit Committee members on request. These summary reports shall also be shared with the NHS Tayside and relevant council Audit Committee(s).

NHS and Local Authority Internal Audits

At the beginning of each audit year, and on an ongoing basis, the respective internal auditors, taking into account the views of the IJB Chief Officer, IJB Chief Internal Auditor and IJB Audit Committee, will review their audit plans to identify any audits of the parent bodies (NHS Tayside and Dundee City Council, Perth & Kinross Council, Angus Council) that may be of relevance to the IJB. For these audits, summaries of the final reports, or relevant issues from within those reports, will be presented to the IJB Audit Committee.

If, for any other completed audits, the auditor believes there may be issues which impact on the IJB control environment, the IJB Chief Internal Auditor will be notified so that arrangements can be made to report the relevant findings to the IJB Audit Committee.

The final audit reports issued shall follow the normal reporting routes established for internal audit reports within the parent bodies; this shall include being presented to their respective Audit Committees. The parent body Audit Committee shall be advised if the report, or any part thereof, is to be shared with the IJB Audit Committee.

When either an NHS Tayside or a Dundee City Council/ Perth & Kinross Council/ Angus Council final internal audit report has been identified as relevant to the IJB, the audit report shall be presented in summary at the next meeting of the IJB Audit Committee. These summary reports shall also be shared between NHS Tayside and Dundee City Council / Perth & Kinross Council / Angus Council internal audit services.

Annual Internal Audit reports
IRAG guidance states that '*It is recommended that the Integration Joint Board annual internal audit report is shared with the partner Health Board and Local Authority through the reporting arrangements in those bodies for internal audit*.' The IJB Chief Internal Auditor shall prepare an IJB Internal Audit Annual Report and opinion and in accordance with IRAG guidance, it will be shared with the parent bodies and reported through their own internal audit reporting procedures. Again, this principle will be extended and reciprocated so that Local Authority and Health Board Annual Internal Audit Reports are presented to the IJB Audit Committee for noting as part of the overall assurance portfolio in support of the governance statement.

Review Date: September 2018