



Council Building
2 High Street
Perth
PH1 5PH

12 September 2019

Attached is a supplementary agenda for the **Audit and Performance Committee of the Perth and Kinross Integration Joint Board** being held in the **Council Chamber, 2 High Street, Perth, PH1 5PH on Monday, 16 September 2019 at 09:30.**

If you have any queries please contact Adam Taylor on (01738) 475163 or email Committee@pkc.gov.uk.

Gordon Paterson
Chief Officer/Director – Integrated Health & Social Care

Those attending the meeting are requested to ensure that all electronic equipment is in silent mode.

Please note that the meeting will be recorded and will be publicly available on the Integration Joint Board pages of the Perth and Kinross Council website following the meeting.

Members

Councillor Callum Purves, Perth and Kinross Council (Chair)
Councillor Eric Drysdale, Perth and Kinross Council
Lorna Birse-Stewart, Tayside NHS Board
Pat Kilpatrick, Tayside NHS Board
Bernie Campbell, Carer Public Partner

**Audit and Performance Committee of the Perth and Kinross Integration Joint
Board**
Monday, 16 September 2019

AGENDA

- | | | |
|---|--|-----------------|
| 4.1 | RISK MANAGEMENT PROGRESS UPDATE
Report by Chief Financial Officer (copy herewith G/19/139) | 5 - 26 |
| 5 AUDITED ANNUAL ACCOUNTS 2018/19 | | |
| 5.1 | ASSURANCES RECEIVED FROM PARTNERS
Report by Chief Financial Officer (copy herewith G/19/144) | 27 - 34 |
| 5.2 | AUDITED ANNUAL ACCOUNTS 2018/19
Report by Chief Financial Officer (copy herewith G/19/145) | 35 - 126 |

PLEASE NOTE:

The above is a revised Section 5 of the Agenda.
Items 5.2 and 5.4 (from the original agenda issued) have now been
incorporated as Appendices to Item 5.2 - Audited Annual Accounts
2018/19.



**PERTH AND KINROSS INTEGRATION JOINT BOARD
AUDIT AND PERFORMANCE COMMITTEE**

16 SEPTEMBER 2019

RISK MANAGEMENT PROGRESS UPDATE

Report by Chief Officer (Report No. G/19/139)

PURPOSE OF REPORT

The purpose of this report is to update the IJB Audit & Performance Committee on progress in managing the high level IJB Strategic Risk Management Profile and seeks approval of the revised Risk Management Framework.

1. RECOMMENDATION(S)

It is recommended that the IJB Audit & Performance Committee:

- (i) Notes the progress in managing the high level IJB Strategic Risk Management Profile (Appendix 1).
- (ii) Notes that current controls and treatment actions on the Strategic Risk Register have been updated to reflect actions on the Perth & Kinross Health and Social Care Partnership's (PKHSCP) Improvement Plan.
- (iii) Approve the refreshed Risk Management Framework (Appendix 2)

2. SITUATION / BACKGROUND

At the Audit & Performance Committee in June 2019 the reduction in the Finance Risk score was noted along with the agreed further actions.

The Committee also noted that 'a full update of the Strategic Risk Profile...will be undertaken. This will ensure a 'golden thread' between the plan to improve the arrangements in place to deliver the objectives of the IJB and the reduction in overall risk exposure'.

The Risk Management Framework as attached at Appendix 2 has been amended to reflect a new reviewing and reporting schedule for strategic risks. This new schedule is summarised as follows:

- Red Priority 1 Risks – Reviewed at least every 4 weeks
- Amber Priority 2 Risks – Reviewed at least every 8 weeks
- Yellow Priority 3 Risks – Reviewed at least every 12 weeks
- Green Priority 4 Risks – Reviewed at least every 6 months

A risk response plan template for treatment actions has been prepared which will be completed by risk managers in advance of the risk being reviewed at the PKHSCP Executive Management Team (EMT) meetings. A full schedule of reporting has been prepared and included on EMT agendas for the remainder of the year.

3. CURRENT / NEXT STEPS

The presentation of the strategic risk register has been updated to move towards a more user friendly format. This is as attached at Appendix 1. This shows red priority 1 risks and now provides additional commentary on assurance, any recognised gaps in assurance as well as current performance. The full updated strategic risk register in this format will be brought back to the next meeting of this Committee.

The strategic risk register will be amended to take account of the actions as set out in the PKHSCP Improvement Plan.

The revised reporting schedule commenced on 27th June 2019 with red risks being reviewed at the EMT meeting held on 25th July 2019. This amended review process will allow for greater scrutiny and accountability in relation to risk responses as this process moves forward.

A number of actions have been progressed against red risks although these have not resulted in movement of the residual score of these risks. The current residual scores for the IJB's red strategic risks are as follows:

Red Risk		Residual Score Last Report	Residual Score Sep 2019
SR01	Finance	20	20
SR02	Workforce (Recruitment and Retention)	16	16
SR07	Leadership	20	20

4. CONCLUSION

This report sets out the Strategic Risk Register for PKHSCP.

Author(s)

Name	Designation	Contact Details
Jane M Smith	Chief Financial Officer	janemsmith@nhs.net

APPENDICES

1. Strategic Risk Register 2019/20
2. Risk Management Framework

Strategic Risk Register 2019/20

Version 1.1

10 September 2019

Version	Date	Status (draft, approved, signed off)	Author	Change Description
1.0	10 September 2019	Draft	Phil Jerrard	Initial Document
1.1	11 September 2019	Draft	Phil Jerrard	Update

Introduction and Background

Risk management is an indispensable element of good management. As such, its implementation is crucial to the Perth and Kinross Health and Social Care Partnership (PKHSCP) and essential to its ability to discharge its responsibilities. It is about improving PKHSCP's ability to deliver outcomes by managing our threats, enhancing our opportunities and creating an environment that adds value and is a key part of corporate governance. Good risk management will help identify and deal with key risks facing the PKHSCP in the pursuit of its goals and not simply a compliance exercise.

As part of good corporate governance an organisation is required to demonstrate that risk management is an integral part of its activity. This requires risk management to be embedded within the culture of the Partnership.

Risk Exposure Rating

Risks are prioritised as to where they fall on the Risk Scoring Grid:

- **Priority 1** Risk remains extreme even after all identified controls and treatments have been applied. There are significant risks, which may have a serious impact on the Partnership and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of net risk.
- **Priority 2** There are significant risks, which may have a serious impact on the Partnership or Service Delivery and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of net risk.
- **Priority 3** Risk is manageable after controls have been applied. Although usually accepted, these risks may require some additional mitigating to reduce likelihood if this can be done cost effectively. Reassess to ensure conditions remain the same and existing actions are operating effectively.
- **Priority 4** Appropriate controls keep the risk low / negligible. These risks are being effectively managed and any further action to reduce the risk would be inefficient in terms of time and resources. Ensure conditions remain the same and existing actions are operating effectively.

Risk Scoring Grid						
Impact	Critical	5	10	15	20	25
	Major	4	8	12	16	20
	Moderate	3	6	9	12	15
	Minor	2	4	6	8	10
	Insignificant	1	2	3	4	5
		Very Low / Very remote	Low / Remote	Medium / Possible	High / Probable	Very High / Almost Certain
	Probability					

Risk Summary:

SR01	There is insufficient financial resources to deliver the objectives of the Strategic Plan	PRIORITY 1
SR02	There is a risk of an inability to recruit and retain suitably trained staff within some areas across the Partnership.	PRIORITY 1
SR07	There is a risk of a lack of clear direction and Leadership to achieve the objectives of the Strategic Plan	PRIORITY 1

SR01	
Description of Risk: There is insufficient financial resources to deliver the objectives of the Strategic Plan	
Strategic Priority: Making best use of available facilities, people and other resources	
Risk Rating: (priority 1, 2, 3 or 4)	Risk Movement: (increase/decrease/no change)
PRIORITY 1	NO CHANGE
Last Review Date: 5 September 2019	
Rationale for Risk Rating: <div> <u>Consequences</u> <ul style="list-style-type: none"> - Reduced Service; - Increased risk to service physically, mentally and socially; - Delayed discharge; - Impact on patient; - Impact on Council and NHS beyond the partnership; - Potential impact on workforce and external partners; - Political pressure around reduced service; - Reputational damage of Partnership; - Central government intervention </div> <div> <u>Cause</u> <ul style="list-style-type: none"> - Insufficient settlement; - Increased demand and complexity; - Increased cost of provision; - Pace of transformation - Lack of clarity around future models of service delivery (inc shifting the balance of care - Lack of ownership and effective leadership) </div>	
Controls: <ol style="list-style-type: none"> 1. Financial Planning Process 2. Budget Negotiation Process (PKC & NHST) 3. Programmes of Care linking financial and service Planning 4. IJB BRG Process 5. Monthly Financial Monitoring & Reporting 6. 3 yr Financial Plan (except IPMH and Prescribing) 7. Process for development of 2019/20 Financial Recovery Plan 8. Accountable budget holder for each cost centre 9. Reserves Strategy 10. Locally based integrated Finance Team 11. Engagement meetings with key stakeholders (Head of Finance, Deputy Director of Finance, Chief Executives, IJB Chair Vice Chair, Budget Review Group) 	Mitigating Actions: <ol style="list-style-type: none"> 1. Development of a 3 year financial plan for all parts of the IJB Budget 2. Approval of 2019/20 Financial Recovery Plan 3. Clear and robust budget negotiation process agreed and understood and aligned to IJB 4. Develop stronger leadership and accountability to support financial recovery and financial planning. 5. Ensure NHST budget setting timescales aligned with IJB and PKC from 2020/21. 6. Seek agreement to financial risk sharing arrangements for 2019/20 and beyond. 7. Development of a structure under the CFO and ensure sufficient Alignment by NHS Tayside of finance support for Inpatient Mental Health, Prescribing and Primary Care 8. Support NHST to ensure strong mechanism for overseeing progress in relation to Large Hospital Set Aside

Perth & Kinross Health and Social Care Partnership

SR01	
Assurances: <ul style="list-style-type: none"> • Monthly financial monitoring reports • Regular budget monitoring meetings between finance and budget holders • Annual/3 Year Financial Plans and supporting Executive Summaries • 2018/19 Financial Recovery Plan • Audit & Performance Committee oversight • IJB Budget Review Group oversight 	Gaps in assurance: <ul style="list-style-type: none"> • None known –noting that the financial environment is challenging and requires regular monitoring
Current Performance: <ul style="list-style-type: none"> • 2019/20 Forecast year end over spend of £4.8m. • No general reserves in 2019/20 	Comments: <ul style="list-style-type: none"> • Internal Audit will undertake a review of IJB Financial Management during 2019/20.

SR02	
Description of Risk: There is a risk of an inability to recruit and retain suitably trained staff within some areas across the Partnership.	
Strategic Priority: Making best use of available facilities, people and other resources	
Risk Rating: (priority 1, 2, 3 or 4)	Risk Movement: (increase/decrease/no change)
PRIORITY 1	NO CHANGE
Last Review Date: 5 September 2019	
Rationale for Risk Rating: <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p><u>Consequences</u></p> <ul style="list-style-type: none"> - Lack of service provision / closure - Increased Delayed Discharge - Failure to deliver integrated care; - Lack of experience; - Increase complaints; - Poor quality of care; - Poor outcomes for people - Poor inspections; - Low staff morale; - Increased clinical risks; - Care@Home target reduced; - Institutionalisation; - Increased supplementary staff across the partnership; - Increased waiting lists - Failure to fully implement the Primary Care Improvement Plan </div> <div style="width: 45%;"> <p><u>Cause</u></p> <ul style="list-style-type: none"> - Short term contracts; - EU Exit; - Reputation of NHST; - Shared market; - Age of workforce; - Academic expectation; - National shortage; - Low economy; - Local economy; - Reality - cost of accommodation </div> </div>	
Controls: <ol style="list-style-type: none"> Supplementary staffing and contingencies Vacancy Management Maximising Marketing Develop new roles/ways of working Workforce Planning Engagement meetings with key stakeholders (Head of Finance, Deputy Director of Finance, Chief Executives, IJB Chair Vice Chair, Budget Review Group) 	Mitigating Actions: <ol style="list-style-type: none"> Ensure contingency plans are in place for all difficult to recruit areas in Health & Social Care for e.g. CCH, PCH, Tay Ward, IPMH, PHC Ensure Vacancy Management process is in place for Health & Social Care and Hosted Services and continue to monitor the effectiveness. Develop enhanced recruitment packages/ procedures/ marketing for difficult to recruit areas to potentially attract more applicants, e.g. CAH, Inpatient Services, PHC, IPMH. Develop new roles, e.g. ANPs, H&SC Assistants within ECS, SAS, etc. Develop workforce strategy & MH Workforce Strategy Develop a plan against Safer Staffing Bill for Health and Social Care staff Develop OD plan against output from workforce plan

SR02	
Assurances: <ul style="list-style-type: none"> • IMT scrutiny • EMT scrutiny • Workforce Plan once developed 	Gaps in assurance: <ul style="list-style-type: none"> • HR recruitment delays due to capacity challenges in parent body
Current Performance: <ul style="list-style-type: none"> • Workshops set up to design Workforce Strategy • Contingency planning in place for key areas struggling with recruitment/retention 	Comments: <ul style="list-style-type: none"> • Workforce risks to be monitored to gauge level of sustainability

SR07	
Description of Risk: There is a risk of a lack of clear direction and Leadership to achieve the objectives of the Strategic Plan	
Strategic Priority: Outcomes and service transformation	
Risk Rating: (priority 1, 2, 3 or 4)	Risk Movement: (increase/decrease/no change)
PRIORITY 1	NO CHANGE
Last Review Date: 5 September 2019	
Rationale for Risk Rating: <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <u>Consequences</u> - Loss of staff (not sense of belonging) / unable to attract staff; - Poor morale; - Loss of reputation; - Unable to deliver vision and to innovate; - Lack of organisational trust; - Poor outcomes for people. </div> <div style="width: 45%;"> <u>Cause</u> - Unclear on how to achieve the vision; - No direction; - No integrated leadership at all levels; - Poor communication at operational level; - Lack of joint processes delegation, authority; - Language and cultural differences; - Poor communication and engagement </div> </div>	
Controls: 1. Chief Officer and EMT; 2. IMT / Locality Management Teams; 3. Strategic Plan; 4. Strategic Programme Boards; 5. Locality Team plans; 6. Governance: IJB, CPGC, A&PC, Risk Register; 7. Communications and Engagement Group 8. Links with Hosted Service	Mitigating Actions: 1. Review of PKHSCP organisational structure and overall senior leadership capacity. 2. Establishment of Leadership Development Program focused on Collaborative Practice 3. Refresh of induction and review of IJB Annual Training and Development Plan to ensure that IJB members are adequately supported 4. Self-assessment of performance against the PKIJB Integration Scheme with IJB members and Executive Management Team 5. Seek appropriate levels of Corporate Support from Statutory Partners including organisational and workforce development 6. Development of a statement of vision and values to be developed to become front and centre of all IJB activities moving forward 7. Development of our three-year Strategic Commissioning Plan which will set out a shared vision and clear priorities to drive improvements in outcomes. 8. Review of our Planning & Commissioning structures and the role and remit of the Strategic Planning Group to ensure that existing strategies are supported in terms of the Partnership's capacity to deliver.

SR07	
Assurances: <ul style="list-style-type: none"> To be advised by Internal Audit 	Gaps in assurance: <ul style="list-style-type: none"> To be advised by Internal Audit
Current Performance:	Comments: <ul style="list-style-type: none"> The process for organisational restructure is underway with support from HR in Perth & Kinross Council and NHS Tayside.



Risk Management Framework

Version	Date	Status (draft, approved, signed off)	Author	Change Description
1.0	30 November 2018	Final	Fiona Easton	Agreed at A&P Committee
2.0	July 2019	Final	Fiona Easton	Amended the Priority Reporting Framework in respect of frequency.

Document Control

Risk Management

Risk management is an indispensable element of good management. As such, its implementation is crucial to the Perth and Kinross Health and Social Care Partnership (PKHSCP) and essential to its ability to discharge its responsibilities. It is about improving the PKHSCP ability to deliver outcomes by managing our threats, enhancing our opportunities and creating an environment that adds value and is a key part of corporate governance. Good risk management will help identify and deal with key risks facing the PKHSCP in the pursuit of its goals and not simply a compliance exercise.

As part of good corporate governance an organisation is required to demonstrate that risk management is an integral part of its activity. This requires risk management to be embedded within the culture of the Partnership.

The [Risk Management Strategy](#) presents a broad outline of the roles and agreed arrangements that are needed to ensure the effective management of risk across the Partnership.

e Risk Management Process

To allow the Partnership to meet their objectives, risk requires to be proactively managed. A typical risk management process will involve five stages:

- IDENTIFICATION - Recognise the risks and potential risks at all levels. Some of these risks will be immediately identifiable, others may be less recognisable.
- ASSESSMENT - Once the risks have been identified, the next stage is to analyse and evaluate those risks. Measurement is defined by how serious the risks are in terms of consequence and relative frequency of occurrence.
- PLANNING - The next stage is to determine the controls of those risks. This can include many actions such as the use of proactive measures, special training, new policy and procedures.
- IMPLEMENTATION AND MONITORING - The fourth stage in preparing and agreeing the risk management control plan is to ensure that an action plan is available to meet the impact of any proposed/additional actions and measures that have been identified in order to avoid the potential risks.
- CONTINUOUS IMPROVEMENT - The fifth stage is to establish a system where all the risks have a review process and defined reassessment timetable. This will ensure that the risk management process is dynamic and continuous. The review process includes the addition of new risks as they develop.

Stage 1

➤ Recognise the risk

This stage sets out to identify the risks facing the Partnership and to understand its unique risk position. When complete, this exercise will determine the broad risk areas, in terms of risk control and resource requirements

➤ Identifying the Context

The starting point for risk management is a clear understanding of what the Partnership is trying to achieve and how this fits into the wider organisation or community. Risks will be considered under the following categories:

- Strategic: risks which potentially impact upon the Partnership ability to achieve its corporate objectives
- Programme / Project: those risks related to programmes of change and specific Transformation projects
- Operational: risks which impact upon the Localities to deliver its services and support functions in support of the Partnership strategic objectives

Risk management is about managing the threats that may hinder delivery of our strategic objectives and operational services, and maximising the opportunities that will help to deliver them. Therefore, effective risk management should be clearly aligned to the PKHSCP Strategic Commissioning Plan.

➤ Identify key risks

Leadership and direction is fundamental to the development of a risk management framework. The risk assessment will initially be a top down approach looking at the significant risks and controls at strategic level, then cascade through the Partnership. An individual may identify risks, but the assessment of any risk is a team or group activity – preferably at grass roots level. An important feature at this stage is to focus on the full range

of risks across the Partnership objectives. This exercise will also identify current controls and present initiatives to examine the gaps and overlaps. Not every risk can be controlled at an acceptable level. The risks should be stated explicitly and must be communicated to Strategic Boards and relevant user groups.

The risk assessor must consider:

- The nature and characteristics of the risk
- The extent and category of the risk regarded as acceptable
- The likelihood of the risk materialising
- The Partnerships ability to reduce the impact and frequency on service delivery should the risk materialise
- The cost/benefit of controls in relation to identified risks

The activity, objective or outcome has to be assessed for risks that present as threats or opportunities with the aim of minimising threats and maximising opportunities. There are a number of different types of risks that the Partnership may face including financial loss, failure of service delivery, physical risks to people, and damage to the Partnerships' reputation. Whilst this list is not exhaustive, for the purposes of our Risk Management Framework, our most common risk factors relate to:-

- **Procurement & Commissioning**
- **Governance**
- **Public Protection & Political**
- **Environment**
- **Economy / Financial**
- **Partnership & Collaboration**
- **Communication and Engagement**
- **HR and Workforce**
- **Leadership**
- **Technology/IT/ Data & Performance**

Risks should be identified from the activities of the Partnership. For example, the risks should be considered and assessed across the potential impacts of:

- Failure to meet objectives
- Cost
- Service provision impact
- Schedule – result of operational delays
- Loss of reputation – accountability review

Describing the risk is equally important to ensure that risks are fully understood, and to assist with the identification of actions, the cause and effect of each risk must also be detailed. Typical phrases used to do this include:

Cause – is the source of the risk	Risk Event is the area of uncertainty	Effect
as a result of ... due to ... because of ...	Risk of ... Failure to ... Failure of ... Lack of ... Loss of ... Uncertainty of ... Delay in ... Inability to ... Development of ... Damage to ...	may lead to ... may result in ...

Stage 2

➤ **Analyse the risks**

Having assessed our risk appetite and identified the risks, it is necessary to assess which are going to pose the greatest threat by considering the **likelihood (frequency)** of the risk actually happening and then identify the

potential consequences/impacts this event would have on the Partnership, individual partners, service users and care providers and considering the proximity of when the event may impact producing the overall risk score.

These scores are not intended to provide precise measurements of risk but to provide a useful basis for identifying vulnerabilities to ensure that any necessary actions are undertaken. The Partnership has used a standard risk methodology to score risks and it is intended to help deliver consistent, meaningful scores that can be used to assess risks.

The risk management process requires each risk to be assessed twice – inherent and residual risk levels.

The **first assessment** (the 'inherent' risk level) is the exposure arising from a risk **before** control and action has been taken. It is assessed on the basis that there are no controls or action being taken to manage the identified risk.

The **second assessment** (the 'residual' risk level) considers the risk after the controls are applied. This provides a residual score that determines what further action, if any is to be taken.

➤ **Likelihood**

This will be based on the frequency of the event occurring, e.g. the probability/likelihood of the event. The likelihood score should be selected from the following table: (only one score may be selected) –

Score	Descriptor	Frequency of event occurring	Timescales Guide
1	Remote	Can't believe this event would happen	Unlikely
2	Unusual	Not expected to happen but might	Once a year
3	Possible	May occur occasionally	Quarterly or 6 monthly
4	Probable	Could occur several times	Monthly
5	Almost certain	Could occur frequently	Daily/weekly / happening

➤ **Consequences**

Once the likelihood is decided the consequences or impact on the Partnership must be determined. The establishment of accurate severity categories is fundamental to the risk management exercise. In identifying the score, the worst case scenario consequence will have priority.

A simple banding is explained in the following table: (only one score may be selected)

← Consequences →						
Impact Score	Descriptor	Objectives	Cost	Affect on Client Group or Users	Schedule	Reputation
1 Green	Negligible / insignificant	Minimal Impact – no disruption	Minimal financial loss	None	Minimal	No interest to the Strategic Board
2 Green	Minor	Minor impact on provision	Moderate financial loss	Non permanent	Minor impact on project progress	Evoke some interest by the Strategic Board
3 Amber	Moderate	Objectives partially achievable – lost time	Possible significant financial loss	Semi permanent	Moderate impact on progress	Significant interest Strategic board Urgent inquiry by the Organisation
4 Red	Major	Significant impact on progress	Major financial loss	Extensive	Temporary halt	Loss of confidence in the Organisational lead. Executive interest.
5 Red	Critical	Unable to fulfil obligations	Severe financial loss	Major and unredeemable	Closure	Highly damaging adverse publicity. Major loss of confidence in the Organisation. Possible Executive interest

➤ Risk Exposure Rating

The likelihood and consequences scores are multiplied together to give a figure that represents **potential inherent risk exposure rating**. This rating determines whether a risk is categorised as Red, Amber or Green.

Risk Scoring Grid						
Impact	Critical	5	10	15	20	25
	Major	4	8	12	16	20
	Moderate	3	6	9	12	15
	Minor	2	4	6	8	10
	Insignificant	1	2	3	4	5
		Very Low / Very remote	Low Remote	Medium Possible	High Probable	Very High / Almost Certain
	Probability					

Risks are prioritised as to where they fall on the Risk Scoring Grid:

- **Priority 1** Risk remains extreme even after all identified controls and treatments have been applied. There are significant risks, which may have a serious impact on the Partnership and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of net risk..
- **Priority 2** There are significant risks, which may have a serious impact on the Partnership or Service Delivery and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of net risk.
- **Priority 3** Risk is manageable after controls have been applied. Although usually accepted, these risks may require some additional mitigating to reduce likelihood if this can be done cost effectively. Reassess to ensure conditions remain the same and existing actions are operating effectively.
- **Priority 4** Appropriate controls keep the risk low / negligible. These risks are being effectively managed and any further action to reduce the risk would be inefficient in terms of time and resources. Ensure conditions remain the same and existing actions are operating effectively.

Our tolerance toward risk in each of these areas is detailed by our Risk Appetite and any activity or objective should in the first instance be assessed against our risk appetite. Risk tolerance is the black line running through the matrix, where risks fall above this line consideration should be given to controls and contingencies required:

➤ SUGGESTED APPETITE

	Where risk management should focus most of its time
	Where risk management will ensure contingency plans are in place
	Basic mechanisms should be in place
	Where risk is so minimal it does not demand specific attention

Stage 3

The next stage of the process is to prepare specific responses to the risks to reduce the impact or likelihood of risks, not wholly to terminate or transfer.

It is important that a Risk Owner is identified along with the Risk Manager responsible for undertaking the responses to achieve the plan.

The Risk Control is completed and owned by the Risk Owner and updated with any Actions, Action owners and review date.

➤ Risk Control

Risk response options are one or a combination of the following:

Satisfactory / Take: Accept the risk as it is and take no further mitigation action(s)

Action required / Treat: Avoid a threat by taking action to remove the risk; Controls and actions will be put in place to prevent or reduce the likelihood of the risk materialising

Transfer: Transfer the liability for the consequence(s) of an event to another body, e.g. a contractor or purchase an insurance policy (*note that by transferring the risk only the financial impact will be covered, the risk may still occur!*)

Prevent / Terminate: Opt not to undertake the current or proposed activity because it is too risky

Where you have decided to **TREAT** a risk, you will have to identify all controls that are currently in place or that are required to mitigate the risk.

Consider how the control will affect the risk:

- **Reduces impact of the consequences should the risk materialise**
- **Reduces the likelihood of the risk occurring**

The effectiveness of the controls has to be rated to determine any further required actions(s)

The controls within each group should be explored using brief bullet point information. This will help you to determine how much control you have against each group across the following scale;

	<u>Controls</u>	
D	Significant Controls do not exist or have broken down	Will not achieve critical deadlines
C	Significant controls not operating effectively	May not achieve critical deadlines
B	Not all controls are fully effective	Significant concern
A	Controls are working effectively	Watching brief
		Will achieve critical deadlines

Stage 4

➤ **Action Plan for Improvement**

After considering actual control level you are now able to decide whether a targeted action is required i.e. are improvements necessary? If so, then decide the level of action that you need to achieve to arrive at the target control level.

The risk control planning process should also compare the risk exposure costs should the risk materialise with the cost of planned improvements to current controls. Capital and revenue, recurring and non recurring costs must also be considered and identified. It is possible that the impact in cost or resources required might outweigh the actual impact of the risk materialising on the Partnership. The Partnership can then prioritise the risks that require early attention on a cost and benefits basis and address them in the most effective way.

Additional information required to complete the risk control plan:

- The named risk owner – the person ultimately responsible for the risk
- The named risk manager – the person actually managing the risk
- The reporting arrangements for review – the review timescale and the person responsible for that are different from the risk owner. The risk control plans may also be reviewed by the Strategic Board
- Details of the person recording the information and the date
- Risk ranking – gives you a suggested order of priority in which to deal with your risks.

➤ Risk Ranking

This is calculated by the **actual risk control level** multiplied by the **risk exposure rating** (likelihood x consequence). The highest score should then be converted to first on the list and the lowest score last on the list.

Stage 5

• Monitoring and Review

All identified risks and the associated actions must be monitored and reviewed on an ongoing basis. A risk control plan that does not change very often would probably indicate that risk is merely being identified, but not being managed or controlled.

A key element to ensure adequate follow up is a monitoring process which is able to provide reasonable assurance to the IJB / Partnership that there are appropriate control procedures in place for all significant risks and that these procedures are being followed. In addition, there should be formal procedures in place for reporting challenges and for ensuring corrective action.

Reviewing and Reporting Framework	
Risk Level and Score	Frequency of Risk Reviews (applies to all Risk registers)
Priority 1 <16	<p>Risk remains extreme even after all identified controls and treatments have been applied. There are significant risks, which may have a serious impact on the Partnership and the achievement of its objectives if not managed.</p> <p>Immediate management action needs to be taken to reduce the level of net risk.</p> <p><u>As a minimum review 4 weekly</u></p>
Priority 2 10 - 15	<p>There are significant risks, which may have a serious impact on the Partnership or Service Delivery and the achievement of objectives if not managed.</p> <p>Immediate management action needs to be taken to reduce the level of net risk.</p> <p><u>As a minimum review 8 weekly</u></p>
Priority 3 6 - 9	<p>Although usually accepted, these risks may require some additional mitigating to reduce likelihood if this can be done cost effectively. Reassess to ensure conditions remain the same and existing actions are operating effectively.</p> <p>Risk is manageable after controls have been applied.</p> <p><u>As a minimum review 12 weekly</u></p>
Priority 4 1 - 5	<p>These risks are being effectively managed and any further action to reduce the risk would be inefficient in terms of time and resources. Ensure conditions remain the same and existing actions are operating effectively.</p> <p>Appropriate controls keep the risk low / negligible.</p> <p><u>As a minimum review 6 monthly</u></p>

The escalation of risk process is shown below:

Risk Register example

				Inherent Risk				Residual Risk							
Risk Number	Category	Risk Description	Risk Owner	Impact Value	Probability Value	Inherent Score	Current Controls	Impact Value	Probability Value	Residual Score	Risk Treatment	Treatment Actions	Risk Manager	Status	Due date
SR01	Strategic	The potential for reductions in budget and increased wage settlements, creates a risk to our medium financial plan that may result in our ability to deliver core services	Chief Executive	3	3	9	Financial Plan BMIPs	3	3	9	Reduce				
SR02	Strategic	Failure to generate sufficient income creates a risk to the medium financial plan that may effect our ability to deliver services		4	3	12				0					

Risk Response Plan

RISK RESPONSE PLAN						
Risk ID	Category	Date Raised	Status	Treatment	Date Due	Last Review date
Risk Description						
Risk Owner						
Action	Description		Risk Manager	Date Due	Update	
1						
2						



PERTH AND KINROSS INTEGRATION JOINT BOARD

AUDIT & PERFORMANCE COMMITTEE

16 SEPTEMBER 2019

ASSURANCES RECEIVED FROM PARTNERS

Report by Chief Financial Officer (Report No. G/19/144)

PURPOSE OF THE REPORT

In compiling the Integration Joint Board's Annual Governance statement, reference was made to receipt of assurance from NHS Tayside and Perth and Kinross Council regarding their governance arrangements noting that Perth and Kinross Integration Joint Board (IJB) is reliant on both Partners to deliver the IJB's overall aims and objectives. This report provides an update on those assurances.

1. RECOMMENDATIONS

It is recommended that the Integration Joint Board Audit & Performance Committee:-

- (i) Note that the IJB has issued confirmation of the adequacy and effectiveness of the governance arrangements in place within Perth and Kinross IJB for 2018/19 to NHS Tayside and Perth and Kinross Council;;
- (ii) Note the position re confirmation of the assurance from NHS Tayside;
- (iii) Note the position re confirmation of the assurance from Perth and Kinross Council;
- (iv) Note that the status of assurances from NHS Tayside and Perth and Kinross Council is consistent with the contents of the IJB's Governance Statement in the audited Annual Accounts.

2. BACKGROUND

- 2.1 On an annual basis the IJB has to include a Governance Statement within its Annual Accounts. Perth and Kinross IJB Audit and Performance Committee considered Perth and Kinross IJB's draft 2018/19 Governance Statement at its June 2019 meeting (paper G/19/103). Paper G/19/103 noted that Perth and Kinross IJB had to provide assurances to both NHS Tayside and Perth and Kinross Council. This was duly completed in September 2019 and are attached at Appendix 1 & 2.

- 2.2 The draft NHS Tayside Governance Statement 2018/19 concludes “that corporate governance was operating effectively throughout the financial year ended 31 March 2019”. The Chief Internal Auditor of NHS Tayside has also concluded in the NHS Tayside Annual Internal Audit Report 2018/19 that the NHS Tayside Board has adequate and effective internal controls in place. The NHS Tayside Governance Statement (and Annual Accounts) were subsequently approved by NHS Tayside thus providing the required assurance to Perth & Kinross IJB regarding arrangements in place within NHS Tayside.
- 2.3 Perth & Kinross Council Scrutiny Committee approved a Governance Statement in June 2019 which also concludes positively on the adequacy and effectiveness of internal controls, accompanied by an Annual Internal Audit Report which also concludes that reasonable reliance can be placed on the Council’s risk management and governance arrangements and systems of internal control for 2018/19, subject to management implementation of the agreed actions detailed in Internal Audit reports. A letter has been issued to Perth & Kinross IJB confirming this and is attached at Appendix 2.

3. CONCLUSIONS

The IJB’s Audit and Performance Committee should:-

- (i) Note the assurance from both parent bodies;
- (ii) Note that Perth & Kinross IJB has provided assurance to both parent bodies that adequate and effective governance arrangements were in place during 2018/19.

Author(s)

Name	Designation	Contact Details
Jane M Smith	Chief Financial Officer	janemsmith@nhs.net janemsmith@pkc.gov.uk 01738 459556 07966 875713

APPENDICES

1. Letter of Assurance to Perth & Kinross Council from PKIJB
2. Letter of Assurance to NHS Tayside from PKIJB
3. Letter of Assurance 2018/19 from Perth & Kinross Council



APPENDIX 1

Perth & Kinross Health and Social Care Partnership
3rd Floor
2 High Street
Perth
PH1 5PH

Enquiries to	Jane Smith
Extension/Direct Line:	59557 / 01738 459557
Email	janemsmith@nhs.net
Your Ref	
Our Ref	JMS/PJ
Date	10 September 2019

Karen Reid
Chief Executive
Perth & Kinross Council
2 High Street
Perth
PH1 5PH

Dear Karen,

ASSURANCES PROVIDED BY PERTH & KINROSS INTEGRATION JOINT BOARD

Perth & Kinross Integration Joint Board (IJB) took on responsibility for the commissioning of delegated services in the line with its Strategic Commissioning Plan from 1 April 2016. The IJB has an Audit & Performance Committee with devolved responsibility for Governance issues including assessing the adequacy and effectiveness of systems of internal control. The assurance as to the effectiveness of the governance framework and systems of internal control is provided by the IJB's Annual Governance Statement which was discussed and approved for inclusion in the Unaudited Annual Accounts for 2018/19 at the meeting of the IJB's Audit and Performance Committee on 18 June 2019.

The Annual Governance Statement was audited in the preparation of the Annual Audit Report of the IJB by the IJB's External Auditors, KPMG. As part of this external audit KPMG have summarised that 'The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board' and concluded that 'we consider that the governance framework and revised annual governance statement to be appropriate for the IJB and that it is in accordance with guidance and reflects our understanding of the IJB.'

As Chair of the Audit Committee, taking into account the work undertaken by the Audit and Performance Committee in the year 2018/19, I can confirm that adequate and effective governance arrangements were in place throughout Perth & Kinross IJB during the year 2018/19.

Yours sincerely,

Councillor Callum Purves
Chairperson
On behalf of Perth & Kinross Integration Joint Board Audit & Performance Committee

Copy to:
Lisa Simpson, Head of Legal Services, Perth & Kinross Council

APPENDIX 2

Perth & Kinross Health and Social Care Partnership
3rd Floor
2 High Street
Perth
PH1 5PH

Enquiries to	Jane Smith
Extension/Direct Line:	59557 / 01738 459557
Email	janemsmith@nhs.net
Your Ref	
Our Ref	JMS/PJ
Date	10 September 2019

Dr Robert Peat
Chair
Audit & Risk Committee
NHS Tayside
Ninewells Hospital
DUNDEE

Dear Robert,

ASSURANCES PROVIDED BY PERTH & KINROSS INTEGRATION JOINT BOARD

Perth & Kinross Integration Joint Board (IJB) took on responsibility for the commissioning of delegated services in the line with its Strategic Commissioning Plan from 1 April 2016. The IJB has an Audit & Performance Committee with devolved responsibility for Governance issues including assessing the adequacy and effectiveness of systems of internal control. The assurance as to the effectiveness of the governance framework and systems of internal control is provided by the IJB's Annual Governance Statement which was discussed and approved for inclusion in the Unaudited Annual Accounts for 2018/19 at the meeting of the IJB's Audit and Performance Committee on 18 June 2019.

The Annual Governance Statement was audited in the preparation of the Annual Audit Report of the IJB by the IJB's External Auditors, KPMG. As part of this external audit KPMG have summarised that 'The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board' and concluded that 'we consider that the governance framework and revised annual governance statement to be appropriate for the IJB and that it is in accordance with guidance and reflects our understanding of the IJB.'

As Chair of the Audit Committee, taking into account the work undertaken by the Audit and Performance Committee in the year 2018/19, I can confirm that adequate and effective governance arrangements were in place throughout Perth & Kinross IJB during the year 2018/19.

Yours sincerely,

Councillor Callum Purves
Chairperson
On behalf of Perth & Kinross Integration Joint Board Audit & Performance Committee

Copy to:
Stuart Lyall, Deputy Director of Finance, NHS Tayside
Grant Archibald, Chief Executive, NHS Tayside
Lorna Birse-Stewart, Chairperson, NHS Tayside

Headquarters: Council Building, 2 High Street, Perth. PH1 5PH



ED/MW

04 September 2019

2 High Street
Perth
PH1 5PH
Tel: 01738 475000



Dr Robert Peat
Chair
Perth & Kinross Integration Joint Board
2 High Street
Perth
PH1 5PH

Telephone: 01738 475043
Mob: 07974 114952
Email:
edrysedale@pkc.gov.uk

5.1

Dear Dr Peat

ASSURANCES PROVIDED BY PERTH & KINROSS COUNCIL

At the meeting of Perth & Kinross Council Scrutiny Committee on 12 June 2019 the Annual Governance Statement (AGS) for 2018/19 was approved for inclusion in the 2018/19 Unaudited Annual Accounts. The AGS provides assurance as to the effectiveness of the Council's governance framework and in particular the system of internal control.

The AGS provides an opportunity to review the Council's rules, resources, systems, processes, culture and values to make sure that its governance framework and in particular its system of internal control is:

- Legally compliant;
- Ethically sound; and
- Fit for purpose

Thereby enabling the Council to achieve its strategic objectives and provide high quality services that meet the needs of its communities, in an appropriate, efficient and affordable way. It is important therefore, that governance issues are identified systematically and comprehensively and reported in an open and transparent manner.

The Annual Governance Statement for 2018/19 has been prepared in accordance with the CIPFA Framework: Delivering Good Governance in Local Government and is required to be published as part of the Annual Accounts.

The Annual Governance Statement was audited as part of the 2018/19 Annual Accounts by the Council's external auditors, KPMG. In their Draft Annual Audit Report to Members and the Controller of Audit for the year ended 31 March 2019 KPMG conclude that the "Council's governance arrangements operate effectively" and "the Annual Governance Statement shows an appropriate and accurate reflection of the governance arrangements at the Council".

2

The audit of the 2018/19 Annual Accounts is substantially complete and KPMG plan to issue an unqualified audit opinion following the anticipated approval of the Accounts at the meeting of the Audit Committee on 18 September 2019.

I trust that this is helpful to your Audit and Performance Committee.

Yours sincerely

A black rectangular box redacting the signature of the councillor.

Councillor Eric Drysdale
Chair – Perth & Kinross Council Audit Committee



PERTH AND KINROSS INTEGRATION JOINT BOARD

AUDIT & PERFORMANCE COMMITTEE

16 SEPTEMBER 2019

ANNUAL ACCOUNTS 2018/19

Report by Chief Financial Officer (Report No. G/19/145)

PURPOSE OF REPORT

This report presents the IJB's Audited Annual Accounts for the period to 31 March 2019 to the Audit & Performance Committee for approval and submission to the Integration Joint Board (IJB).

1. BACKGROUND

On 26th June 2019 the IJB approved the Unaudited Annual Accounts for 2018/19. The Unaudited Annual Accounts for 2018/19 were then submitted to Audit Scotland on 28 June 2019. The Annual Accounts were prepared in accordance with the 2018 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 1 July and 19 July (inclusive). KPMG, the IJB's external auditors, received no objections during this period.

2. ANNUAL ACCOUNTS 2018/19

The audit of the Annual Accounts took place between July and August 2019 during which time KPMG considered whether the Annual Accounts 2018/19-

- Gave a true and fair view in accordance with applicable law and the 2018/19 Code of the state of the affairs of the IJB as at 31 March 2019 and of its 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 2018/19 Code;
- Had been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.
- KPMG's findings are set out in the Annual Audit Report to members and the Controller of Audit provided to the Audit and Performance Committee at Appendix 2.

The key messages from the 2018/19 audit are set out at within the Executive Summary at Page 3 and are summarised as follows-

- Unqualified independent auditor's report on the 2018/19 financial statements;
- The IJB has effective scrutiny and governance arrangements, supported by joint internal audit staff from both partners, and with adequate focus on risk management. The IJB conducts its business in an open and transparent manner.
- The IJB set two of four components of its 2019-20 budget in advance of 31 March 2019, which decreases the ability of members to scrutinise and hold management to account. The IJB has robust controls over the monitoring of expenditure against budget, with regular reports going to public meetings of the IJB. KPMG recognise the increasing need for the Board to have timeous information in order to make effective and informed decisions.
- Financial capacity is appropriate for the purposes of delivering services.
- The IJB faces ongoing financial pressures in respect of salary costs, price pressures, legislative change and demand. Overspends are forecast in both health and social care budgets and the integration scheme may require both partners to contribute further to the IJB. KPMG remain satisfied that the IJB is financially sustainable in the short term as a result of the ongoing commitment of the two joint venture partners.
- KPMG are satisfied that the ongoing development of a three-year revenue budget will help the IJB plan for future pressures, and will allow management to have quality conversations when discussing future budget settlements but the approach to risk sharing should be agreed and implemented consistently.
- The arrangements in place to investigate and prevent fraud are appropriate.
- Membership of the IJB has become more stable, however, two Council voting members have been suspended from their political group and removed from the Council's Administration post year end. A motion proposing their removal from the Board was defeated by an amendment, at a special Council meeting on 2 September 2019. Further changes to membership or tension between members could significantly impair the IJB's ability to operate effectively.
- KPMG consider that the IJB has appropriate arrangements for using resources effectively and continually improving services. KPMG note that the workforce plan is overdue and while service level consideration occurs, preparation of a corporate view has not commenced. KPMG believe it is also important that the IJB forms a Strategic Plan. The Chief Officer plans to address key gaps in corporate capacity and KPMG consider this is important in order to ensure the effectiveness of the IJB and that officers are able to form strategic and corporate approaches for consideration by the IJB members.

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

The Audit and Performance Committee are asked to consider the Letter of Representation at Appendix 3 for submission to the IJB for final approval.

3. CONCLUSION AND RECOMMENDATIONS

It is recommended that the Audit & Performance Committee:

- Approve the Audited Annual Accounts for 2018/19 for submission to the IJB for final approval;
- Consider the contents of KPMG's Annual Audit Report to Members of Perth & Kinross IJB and the Controller of Audit on the 2018/19 Audit and approve for consideration by the IJB;
- Consider and approve the Letter of Representation for submission to the IJB for final approval and signature by the Chief Financial Officer.

Author(s)

Name	Designation	Contact Details
Jane M Smith	Chief Financial Officer	janemsmith@nhs.net janemsmith@pkc.gov.uk 01738 459556 07966 875713

Appendices

1. Annual Audit Report to the Members of Perth and Kinross Integration Joint Board and the Controller of Audit
2. 2018/19 Audited Annual Accounts
3. Letter of Representation



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 2019

16 September 2019

DRAFT

Contents

DRAFT

	Page
Executive summary	3
Scope and responsibilities	4
Financial statements and accounting	5
Wider scope and Best Value	14
Appendices	22

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 sections 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 Michael Wilkie, who is the engagement leader for our services to the IJB, telephone 0141 300 5890, email: Michael.Wilkie@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, by telephoning 0131 527 6682 or email 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 Fiona Kordiak, Director of Audit Services, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN.

Executive summary

Audit conclusions

Page 8

We intend to issue an unqualified audit opinion on the annual accounts of Perth and Kinross Integration Joint Board ("the IJB") following their approval by the IJB on 27 September 2019.

We identified two significant risks in the audit of the IJB, which relate to fraud risk from management override of controls and fraud risk from revenue and expenditure recognition (which were rebutted). As documented on pages 10 and 11, we have concluded satisfactorily in respect of the significant risks and audit focus areas identified in the audit strategy document.

The annual accounts, governance statement and remuneration report were received at the start of the audit fieldwork. We have no matters to highlight in respect of adjusted audit differences or our independence.

Financial management and financial sustainability

DRAFT
Page 13

The financial plan approved in June 2018 showed a £0.9 million shortfall and the IJB did not set a balanced budget.

The IJB faces ongoing financial pressures due to salary costs, price pressures and increasing demand for services. We remain satisfied that the IJB is a going concern as a result of the integration scheme and the financial sustainability of the partners.

We are satisfied that the ongoing production of a three year revenue budget will help the IJB plan for future pressures, and will enable management to have valuable conversations when discussing future budget settlements. We consider the arrangements regarding financial management are effective.

Financial position

Page 5

The IJBs final outturn was an overspend against budget of £1.1 million for the year. Funding changes were made after the final outturn were agreed, such that increased funding was received from NHS Tayside and Perth and Kinross Council in order to deliver a break even position against budget. Associated with specific funding, the IJB increased its reserves from £nil to £2.5 million.

The integration scheme states that in the event of an overspend from 2018-19, the partners can opt to allocate the overspend on a proportional basis. The partners informally agreed to fund overspends for which they have operational responsibility in 2018-19.

Governance and Transparency, and Value for money

Page 19

The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board.

The annual performance report shows significant improvement with most of the indicators above the national average.

Scope and responsibilities

DRAFT

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 are set out in our audit strategy document which was presented to the Audit and Performance Committee on 6 March 2018.

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 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) (“ISAs”) issued by the Financial Reporting Council 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 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 report to those charged with governance 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.

Financial position

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 2018-19 Code of Practice on Local Authority Accounting in the United Kingdom (“the CIPFA Code”).

The Board is responsible for the strategic planning and delivery of health and adult social care services in Perth and Kinross. The Integration Scheme sets out those services the Board has delegated responsibility for, which includes ‘hosted’ services which are provided by the IJB on behalf of the other integration joint boards in the Tayside region, Dundee City and Angus.

IJB financial management overview

The IJB budget process begins in September each year with final approval by March in advance of the financial year. Delegated baseline budgets for 2018-19 were compared to actual expenditure in previous years in order to build up the budget. Detailed forecasts have been prepared of anticipated salary, price and demand pressures along with the cost of meeting legislative changes and planned service developments.

In 2018-19, the IJB participated in the PKC budget process in order to commence early discussion over funding and anticipated expenditure pressures. This communication and co-operative working supports the long-term aims of the integration of health and social care.

The Perth and Kinross IJB Financial Plan 2018-19 approved in June 2018 showed a shortfall of £0.9 million, and therefore the IJB failed to set a balanced budget.

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. Financial management is discussed further on page 15.

During 2018-19, the IJB had an overspend of £1.1 million. The integration scheme states how overspends are resolved and a result was funded from NHS Tayside and PKC in order to break even against budget (see page six). The final accounting position shows a surplus of £2.5 million which increased the general fund reserve.

Funding contributions from Perth and Kinross Council
£51.7 million

Funding contributions from NHS Tayside
£153.9 million

Gross expenditure
£203.1 million

Surplus on provision of services
£2.5 million

DRAFT

This reserve is held within the IJB, and is retained for use in future years for application against spending commitments. Management have earmarked these reserves for 2019-20, and is discussed further on page 17.

The Board does not have any fixed assets, nor does it directly incur expenditure or employ staff. The Chief Officer and the Chief Financial Officer are appointed officers of the IJB. All funding and expenditure is delegated to the partner organisations and is recorded in the partner organisation’s accounting records.



Financial position (continued)

2018-19 financial position

The annual accounts are prepared on a going concern basis. A deficit of £1.1 million was reported in the final outturn in June 2019 for the year ended 31 March 2019. The integration scheme states that 'In the event that an overspend is evident following the application of a recovery plan, use of reserves or, where the Strategic Plan cannot be adjusted, the following arrangements will apply:-

- First 2 financial years of the Integration Joint Board - the overspend will be met by the Partner with operational responsibility unless agreed otherwise through a tri-partite agreement between the Integration Joint Board and the Partners;
- 3rd financial year of the Integration Joint Board onwards – the overspend may be allocated based on each Partner's proportionate contribution to the Integration Joint Board's Budget Requisition for that financial year on a like for like basis.'

An underlying overspend of £0.3 million was reported against health services where operational responsibility lies with NHS Tayside. Against social care budgets, where operational responsibility remains with Perth and Kinross Council ("PKC"), an overspend of £0.8 million was reported. In line with the integration scheme, both NHS Tayside and PKC devolved further non-recurring budget to the IJB to balance income with expenditure in order to break even against budget on an operational responsibility basis.

The health overspend is made up of the following significant variances:

- Inpatient Mental Health: overspend £0.5 million. Primarily driven by medical locum costs, supplementary nursing costs, and a historic brought forward balance of undelivered savings.
- Planning and other services: overall year-end underspend of £0.7 million due to savings and cost containments.
- Prescribing: overspend of £0.8 million. Due to nationally negotiated rebates for specific drugs which was higher than expected.

The social care overspend is made up of the following significant variances:

- Older People and Physical Disability Service: overspend of £0.5 million. Primarily due to demographic growth issues and savings not being fully realised in 2018-19. This is offset by a underspend of £0.3 million on the NHS Tayside resulting in a net overspend position of £0.2 million.

Expenditure	2018-19 Budget (£M)	2018-19 Actual (£M)	(Under)/ over spend (£M)
Older peoples service/physical disabilities	66.3	66.5	0.2
Learning disabilities/mental health/addictions	24.1	24.5	0.4
Planning/management/other services	7.9	7.2	(0.7)
Prescribing	26.7	27.5	0.8
General medical services	24.1	24.1	0.0
Family health services	17.4	17.4	0.0
Hosted services	21.0	21.4	0.4
Large hospital set aside	14.3	14.3	0.0
Total expenditure	201.8	202.9	1.1
Additional Budget from Partner Bodies:			
NHS Tayside			(0.3)
Perth & Kinross Council			(0.8)
Total			0.0
Reserves:			
Earmarked Reserves		2.5	
Total Reserves		2.5	

Source: Annual Performance Report

- Learning Disabilities and Mental Health continued to experience a sustained increase in the costs of individual care packages, partially offset by a number of one-off underspends, resulting in a net underspend position of £0.1 million.

Financial position (continued)

Comprehensive income and expenditure statement

As noted previously, NHS Tayside assigns some services that are devolved to an IJB (“hosted services”), rather than split it across the three IJBs for which it partners. This results in differences between the budget that management and members receive, which show the services the IJB are responsible for, and the comprehensive income and expenditure statement (“CIES”). The two therefore are not directly comparable, and the hosted services explain the significant differences between the two.

Recurring baseline budget

In previous years the Scottish Government provided funding to IJBs across Scotland for the IJB to use to transform services, support integration and to reduce delayed discharges. However, as all IJBs have matured this is no longer funded directly from the Scottish Government, now funded as part of the IJB’s recurring baseline budget from partners from 2018-19. The recurring baseline budget for 2018-19 included a £1.5 million deduction within the PKC budget proposition and a £2 million uplift from NHS Tayside.

Related party transactions

NHS Tayside receives the recurring baseline budget on behalf of the IJB and expenditure is drawn down through NHS Tayside. As PKC uses the baseline budget to deliver services, it invoices NHS Tayside directly for the services.

In total in the year there was a £17.9 million payment from NHS Tayside to PKC, this is included in Note 8: Related Party Transactions. This relates to funding NHS Tayside receives being redirected to Perth and Kinross Council for delivery of some social care services.

In line with other IJBs nationally, there is a requirement to recognise funding from partners, and to recognise its commissioning expenditure, in order to disclose the gross cost of providing services. The related parties note details this gross cost of providing services, and gross income received from partners.

Balance sheet

The £2.5 million debtors balance at the year end arose through the planned build up of reserves to support future delivery of services. IJB ‘cash’ is held by the partner organisation due to the IJB not having a bank account, leading to a creditor to the IJB in the partners’ Balance Sheet. The full debtor balance is with NHS Tayside, and is expected to be used for the purpose of supporting health and social care services.

Balance sheet	2018-19 £000	2017-18 £000
Short term debtors	2,470	-
Net assets	2,470	-
Usable reserve : General fund	(2,470)	-
Total reserves	(2,470)	-

Source: Annual accounts 2018-19

Audit conclusions

DRAFT

Audit opinion

Following approval of the annual accounts by the IJB Board, we expect to issue an unqualified opinion on the truth and fairness of the state of the IJB's affairs as at 31 March 2019, and of the deficit 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 annual accounts in accordance with International Financial Reporting Standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 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 CIPFA 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 misstatements identified during the audit. There were a number of presentational and disclosure adjustments made by management as a result of our audit.

Written representations

Our representation letter will not include any additional representations to those that are standard as required for our audit.

Materiality and summary of risk areas

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 £1.9 million for the IJB's financial statements. This equates to 0.9% of cost of services expenditure. We designed our procedures to detect errors in specific accounts at a lower level of precision than our materiality. For the IJB, our performance materiality was £1.4 million. We report all misstatements greater than £95,000.

Forming our opinions and conclusions

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

- performed substantive procedures to ensure that key risks to the annual accounts have been covered;
- communicated with the Chief Internal Auditor of NHS Tayside, 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 received working papers of good quality, and draft financial statements were provided on 28 June 2019, including the management commentary and the remuneration report.

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 ten of this report):

- management override of controls fraud risk.

Other focus areas (page 11 of this report):

- completeness and accuracy of expenditure; and
- financial sustainability (also a wider scope area).

Wider scope areas (page 14 of this report):

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

DRAFT

Significant risks

DRAFT

Significant risk	Our Response	Audit approach
Financial statement risks		
<p>Fraud risk from management override of controls*</p> <p>Professional standards (ISA 240 The Auditor's responsibilities relating to fraud in an audit of financial statements) require us to communicate the presumed fraud risk from management override of controls as a significant risk; as management is typically 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.</p>	<ul style="list-style-type: none"> 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 Board. Strong oversight of finances by management provides additional review of potential material errors caused by management override of controls. In line with our methodology, we will carry out appropriate substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the organisation's normal course of business, or are otherwise unusual. 	<p><i>Our work did not identify any control overrides, or matters that required adjustment in the annual accounts or which require to be brought to your attention.</i></p>
<p>Fraud risk from income revenue recognition and expenditure (rebutted)</p> <p>Professional standards (ISA 240 and Practice Note 10 ("PN10") Audit of financial statements of public sector bodies in the United Kingdom require us to make a rebuttable presumption that the fraud risk from revenue recognition and expenditure are significant risks.</p>	<ul style="list-style-type: none"> The Board receives funding through requisitions to Perth and Kinross Council and NHS Tayside. These are agreed in advance of the financial year, with any changes arising from changes in need, requiring approval from each body. There is no estimation or judgement in recognising this stream of income and we do not regard the risk of fraud to be significant. The Board issues directions to Perth and Kinross Council and NHS Tayside in order to direct those bodies to deliver services delegated by the Board. The Board make these directions based on its budget agreed in advance of the financial year. There is no estimation or judgement in recognising expenditure to these bodies, and we do not regard the risk of fraud to be significant. 	<p><i>Our conclusion is that income and expenditure is appropriately stated, in line with the CIPFA Code.</i></p>

* We set out above the significant risk identified in the audit, together with our conclusion. The audit opinion within the annual accounts includes a reference to the most significant assessed risks of material misstatement, which is the significant risk included in this annual audit report. This annual audit report does not constitute our audit opinion; the opinion is included within the annual accounts.

Other focus areas



DRAFT

Other focus area	Our response	Audit approach
Financial statement focus area		
<p>Completeness and accuracy of expenditure</p> <p>The Board receives expenditure forecasts from Perth and Kinross Council and NHS Tayside as part of the annual budgeting process. There is a risk that actual expenditure and resulting funding requisition income is not correctly captured.</p>	<ul style="list-style-type: none"> Our substantive audit will obtain support for gross expenditure included in Perth and Kinross Council and NHS Tayside's accounting records. We will obtain confirmations of expenditure from each of these bodies. 	<p><i>We have concluded that that expenditure is appropriately recognised.</i></p> <p><i>No exceptions were identified in respect of expenditure testing and testing of high risk expenditure journals.</i></p> <p><i>Our testing of this exercise did not identify errors in expenditure cut-off.</i></p>
<p>Financial sustainability</p> <p>Financial sustainability looks forward to the medium and longer term to consider whether the Board is planning effectively to continue to deliver its services or the way in which they should be delivered. This is inherently a risk to the Board given the challenging environment where funding is reduced and efficiency savings are required.</p>	<ul style="list-style-type: none"> The Board receives funding from NHS Tayside and Perth and Kinross Council, and as part of an Integration Scheme, has a risk sharing agreement with both bodies. This agreement stipulates that, from 2018-19, any overspends by the Board may be funded by NHS Tayside and Perth and Kinross Council based on each body's proportionate contribution in the financial year, or by the body with operational responsibility as a default position. This gives the Board comfort with regards to overspends, however, there is a risk going forward regarding ongoing budget balance, specifically in the context of challenging NHS and Council budgets. We will consider the Board's financial planning, reserves strategy, and Board's use of reserves, concluding on the appropriateness of these in our annual audit report. See page 17 for further information regarding the financial sustainability wider scope. 	<p><i>We consider that the IJB is financially sustainable. The IJB has detailed plans in place over the medium term to consider how services will be provided in future years. These take into consideration known and expected budget pressures.</i></p>

Management reporting in financial statements

Report	Summary observations	Audit conclusion	RAFT
Management commentary	<p>The Local Authority Accounts (Scotland) Regulations 2014 require the inclusion of a management commentary within the annual accounts, similar to the Companies Act requirements for listed entity financial statements. The requirements are outlined in the Local Government finance circular 5/2015.</p> <p>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.</p> <p>We also review the contents of the management commentary against the guidance contained in the CIPFA template IJB accounts.</p>	<p>The information contained within the management commentary is consistent with the annual accounts.</p> <p>We reviewed the contents of the management commentary against the guidance contained in the Local Government finance circular 5/2015 and are content with the proposed report.</p>	
Remuneration report	<p>The remuneration report was included within the unaudited annual accounts and supporting reports and working papers were provided.</p>	<p>The information contained within the revised remuneration report is consistent with the underlying records and the annual accounts and all required disclosures have been made in line with the 2014 regulations.</p> <p>Our independent auditor's report confirms that the part of the remuneration report subject to audit has been properly prepared.</p>	
Annual governance statement	<p>The statement for 2018-19 outlines the corporate governance and risk management arrangements in operation in the financial year. It provides detail on the IJB's governance framework, review of effectiveness, continuous improvement agenda, and analyses the efficiency and effectiveness of these elements of the framework.</p> <p>We consider the annual governance statement to ensure that management's disclosure is consistent with the annual accounts, and that management have disclosed that which is required under the delivering good governance in local government framework.</p>	<p>We consider the governance framework and revised annual governance statement to be appropriate for the IJB and that it is in accordance with guidance and reflects our understanding of the IJB.</p>	

Qualitative aspects and future developments

DRAFT

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 IJB to be appropriate. There are no significant accounting practices which depart from what is acceptable under the CIPFA Code.

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

There were no new accounting standards adopted by the CIPFA Code which affected the IJB.

Accounting framework update

From 2018-19, IFRS 15 *Revenue from Contracts with Customers* replaces IAS 18 *Revenue* and IAS 11 *Construction contracts* and their associated interpretations. The core principle in IFRS 15 for public bodies is that they should recognise revenue to depict the transfer of promised goods or services to the service recipient or customer in an amount that reflects the consideration to which the body expects to be entitled in exchange for those goods or services.

In addition, the adapted requirements for IFRS 9 *Financial Instruments*, which replace IAS 39 *Financial instruments: recognition and measurement* have been introduced in 2018-19. The changes included:

- a single classification approach for financial assets driven by cash flow characteristics and how an instrument is managed;
- a forward looking 'expected loss' model for impairment rather than the 'incurred loss' model under IAS 39; and
- new provisions on hedge accounting.

Expected from 2019-20, IFRS 16 *Leases* supersedes IAS 17 *Leases*. IFRS 16 introduces a single lessee accounting model. Public body lessees will be more likely to account for operating leases in a similar way to the current IAS 17 treatment for finance leases.

Given the nature of the Board we do not consider that these changes will have a significant impact on the financial statements.

Audit dimensions introduction and conclusions

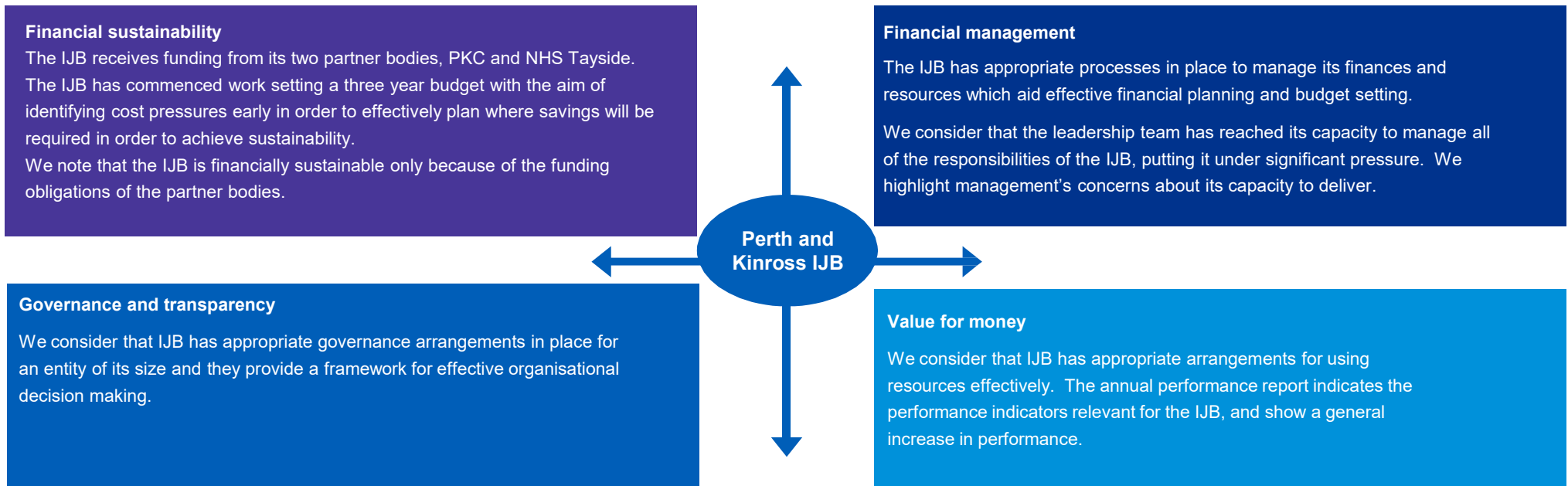
The Code of Audit Practice sets out four audit dimensions which, alongside Best Value in the local government sector, set a common framework for all the audit work conducted for the Controller of Audit and for the Accounts Commission: financial sustainability; financial management; governance and transparency;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

DRAFT

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 other scrutiny bodies to ensure our work meets the proportionate and integrated principles contained within the Code of Audit Practice.

The Code of Audit Practice allows for an exemption from the requirement of a full wider scope of audit to apply to all bodies where the auditor judges that it is not appropriate due to size, nature and risks of the body. KPMG have selected to use this exemption.



Financial management

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

Budgetary controls

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

The IJB produces a quarterly finance update which is taken to both the Board and the Audit and Performance Committee. Management reports the financial position to the IJB at each meeting throughout the financial year. This contains sufficiently detailed information to allow members to understand budget variances, and to respond to issues.

Financial reporting is provided to the IJB throughout the year and it includes financial commentary. This is performed on a regular basis, with reports going to the IJB in September, November and February, with the Audit and Performance Committee also receiving an update in February 2019. Although the 2018-19 Financial Position was included in the February 2019 meeting agenda, this meeting was rescheduled for March 2019 no finance update was presented. The year end position was reported in May 2019.

2019-20 budget process

The Core Health and Social Care budget for 2019-20 was approved in March 2019, prior to the start of the following financial year as required. The GP Prescribing and Other Hosted Services budget was approved on 26 June 2019, three months after the start of the financial year. At the time of this report, the Adult Mental Health budget has yet to be approved, and management indicate it will be considered by the IJB in September 2019.

This is six months from the start of the financial year. It has taken a staged approach to budget approval in respect of 2019-20, including and updating estimate budgets were considered possible. Good practice is that a local government body sets a balanced budget ahead of the financial year. We recommend that all budgets are discussed and approved prior to the start of the financial year but recognise that the IJB faces challenges working across the budget setting timetables of local authority and health bodies.

The 2019-20 budget presented for approval does not incorporate the use of reserves and associated planned expenditure. As the IJB increases the use of reserves it is important this is included in the overall budget presented to members.

Recommendation one

Financial regulations

The IJB has standing financial regulations which determine how spend can be authorised. The highest budget virement that can be approved by the Chief Officer is £10,000, with anything above that level having to go through the Board, which conducts its meetings in public. We consider this to be an appropriate level for escalation.

Financial recovery plan

The 2018-19 Finance Update provided to the IJB in June 2018 gave an early indication of an unanticipated overspending and cost pressure. As a result, the IJB prepared and approved a Financial Recovery Plan in order to identify areas of savings and note actions to be taken to achieve these savings.

The plan was prepared in November 2018 and approved at the meeting on 15 February 2019. Whilst the integration scheme requires a deficit recovery/action plan to be approved by the Board prior to any actions implemented, management identified potential overspends early and were proactive in developing solutions collaboratively to ensure that risks were appropriately managed.

Financial management

The Chief Finance Officer is responsible for ensuring that appropriate financial services are available to the IJB and the Chief Officer.

Capacity and service transformation

The section 95 officer of the IJB is the Chief Finance Officer, who has appropriate status within the IJB and access to the partner chief executive officers and Board members.

A new Chief Officer was appointed effective from 1 April 2019. The Chief Officer will review current leadership and management arrangements with a view to further integration. The integrated finance function consists of the Chief Finance Officer and financial management resources transferred to Perth & Kinross Health & Social Care Partnership by NHS Tayside and Perth & Kinross Council. In addition, NHS Tayside provide finance support for specific service areas such as Prescribing, Primary Care and Inpatient Mental Health. The Partnership Finance Manager provides significant support to the day to day financial management and control within the IJB.

We note that senior management has significant concerns regarding the IJB's capacity to satisfy the full responsibilities of the IJB. Specifically there is concern in respect of being responsible for inpatient mental health services alongside the other services, and having the capacity to effectively direct the activities.

The IJB continues, through redesigning care, to analyse service expenditure in order to identify savings and efficiencies.

Training

The Board provides induction and ongoing training for both elected members and other Board members. Attendance sheets are kept for each training meeting however members are not asked to sign in. We note that initial IJB induction and briefing session was held in June 2018. Financial development training sessions were also held throughout the year.

Arrangements for the prevention and detection of fraud

DRAFT

We have responsibility for reviewing the arrangements put in place by management for the prevention and detection of fraud. We reviewed the IJB's arrangements including policies and codes of conduct for council staff and elected members, whistleblowing, fraud prevention and fraud response plan.

We considered the arrangements in place for the prevention and detection of fraud to be sufficient.

Audit Scotland focus area: Key supplier dependency

All bodies are potentially exposed to the failure of a key supplier, in an operational and infrastructure context. For the IJB, PKC and NHS Tayside are the key suppliers of services, but are unlikely to cease providing these services given the bodies' nature, purpose and role as partners to the IJB. We have commented on the financial sustainability aspects of both partners on page 17 in our capacity as auditors of the IJB, through review of the annual audit reports of both partner bodies.

Audit Scotland focus area: Care income, financial assessments and financial guardianship

Some other local government audits indicated there may be wider issues with the systems and processes for collecting care income and undertaking financial assessments on individuals receiving care. PKC is responsible for collection of care income and processing financial assessments and there is no direct impact on the IJB.

Conclusion

The IJB set two of four components of its 2019-20 budget in advance of 31 March 2019, which decreases the ability of members to scrutinise and hold management to account. The IJB has robust controls over the monitoring of expenditure against budget, with regular reports going to public meetings of the IJB. We recognise the increasing need for the Board to have timeous information in order to make effective and informed decisions.

Financial capacity is appropriate for the purposes of delivering services.

Financial sustainability

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 IJB 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.

Budgets and financial position

The 2018-19 budget was prepared independently of NHS Tayside, but in conjunction with PKC, and management developed greater communication with the partner bodies prior to, and during budget setting.

In 2018-19, management began the process of setting a three year revenue budget which covered 2018-19, 2019-20 and 2020-21. This was updated in 2019-20 to include 2021-22. The 3 year budget for Core Health and Social Care was approved on 22 March 2019. As discussed in recommendation two, the 3 year budget for GP Prescribing and for Inpatient Mental Health has not been approved at the date of this report. A consolidated budget position has not yet been presented to the Board

	Year 1: 2019-20	Year 2: 2020-21	Year 3: 2021-22
	Shortfall/ (Surplus) £m	Shortfall/ (Surplus) £m	Shortfall/ (Surplus) £m
Core Health and Social Care	2.842	1.054	2.029
GP Prescribing	0.752	-	-
Other Hosted Services	0.000	0.108	0.083
Inpatient Mental Health*	-	-	-
Total	3.594	1.162	2.112

*budget not yet approved

The 2019-20 Core Health and Social Care recurring budget included a £2.2 million rolled forward pressure. Further pay/price pressures of £1.3 million, demand pressures of £4 million, and essential service developments of £0.8 million were incorporated in the final budget. The GP Prescribing and other hosted services budgets also included pressures of £2.8 million and £1.2 million, respectively.

Reserves strategy

The IJB approved a reserves policy in March 2017 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. Management aspires to retain a general fund reserve of 2% of gross expenditure, or £4.1 million. The IJB had reserves of £2.5 million at the year end, or 1.2%.

Management anticipates using the carried forward reserves for a number of projects, including primary care improvement, primary care transformation and the partnership transformation fund.

Audit Scotland focus areas: Changing public landscape for financial management and EU withdrawal

Scottish public finances are fundamentally changing, with significant tax-raising powers, new powers over borrowing and reserves, and responsibility for 11 social security benefits.

Scottish Government published an initial five-year Medium Term Financial Strategy in May 2018. Although delayed, the EU withdrawal is expected to take place in 2019 with possible wide impact on workforce planning and wider economic environment. For the risks presented by these areas, the IJB's primary response is to consider the actions taken by PKC and NHS Tayside, being the funders and commissioned bodies. This is an appropriate response. The primary financial changes considered relate to tax raising, which do not apply to the IJB.

Through the established risk management framework of the IJB, risks which directly impact the body are considered and managed. We note that the IJB is currently developing a workforce plan in the context of workforce and recruitment challenges, including the potential impact of Brexit. The plan was due by 31 March 2019 however, from the review of the June 2019 risk register, we note that the issue is now overdue.

Recommendation three

Financial sustainability (continued)

Risk sharing

The integration scheme sets out the process to be followed should the IJB overspend against the agreed budget. The Chief Officer and Chief Financial Officer are expected to manage the budget to ensure that there are no overspends. Where an unexpected overspend is likely the Chief Financial Officer should agree corrective action to mitigate the overspend. Where this does not resolve the gap, agreement must be made between the partner bodies, in conjunction with the executive team, to agree a recovery plan to balance the budget.

Where this is unsuccessful and the IJB overspends at the year end, uncommitted reserves are applied to any overspend firstly and the remaining overspend is either met by an additional one-off payment from a partner. The integration scheme provides that for the first two years of financial operation (2016-17 and 2017-18), any overspend is met by the partner with operational responsibility.

From the third year (2018-19) onwards, the integration scheme states that any overspend may be allocated based on each partner's proportionate contribution to the IJB, and this suggests formal agreement between the partners is required. For 2019-20, we understand that there has been limited discussion between relevant partners in respect of the approach to be taken and there is no formal documentation of this arrangement.

Recommendation two

This arrangement gives the IJB comfort that overspends will ultimately be met by the partner bodies. We note that it does not motivate collaborative working between the three parties. For example, overspends in a council-funded area of service may be driven by increased "high outcome" activity which delivers reduced demand in an NHS-funded area of service, given the benefits of "preventative care". There is no consideration for this in the integration scheme.

Going concern

DRAFT

The annual accounts are prepared on a going concern basis. The IJB is still in its relative infancy and is at the start of plans to transform services. Both partner bodies have identified their financial challenges and put in place savings plans. As appointed auditor to PKC we have reported positively on its financial management arrangements and its proactive monitoring of budgets and savings. We consider that the IJB is a going concern.

We consider that the Scottish Government is likely to continue to support NHS Tayside. 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.

Savings

The IJB is required to make efficiency savings to maintain financial balance. In 2018-19, the required savings identified in the budget were £5.3 million (2.7%). The actual savings achieved was £4.8 million, the shortfall largely due to delays in a corporate procurement review at Perth and Kinross Council, and a review of older people residential care. These are expected to be completed in 2019-20.

Conclusion

The IJB faces ongoing financial pressures in respect of salary costs, price pressures, legislative change and demand. Overspends are forecast in both health and social care budgets and the integration scheme may require both partners to contribute further to the IJB. We remain satisfied that the IJB is financially sustainable in the short term as a result of the ongoing commitment of the two joint venture partners.

We are satisfied that the ongoing development of a three year revenue budget will help the IJB plan for future pressures, and will allow management to have quality conversations when discussing future budget settlements but the approach to risk sharing should be agreed and implemented consistently.

Governance and transparency

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.

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 and Audit and Performance Committee hold meetings 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 for the purpose of presenting our findings and statutory reports. From attendance at these meetings, we consider scrutiny to be effective.

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 policies and arrangements are in place, and an improvement action was identified for any high or medium risk findings.

Membership

We note that since inception of the IJB there has been significant change in membership. We included this as a low risk area in the prior year report, and membership changes have continued, albeit at a slower rate, throughout 2018-19. Overall, there were five leavers and five new joiners in the year up to 31 March 2019.

Member stability affects the Board's ability (through understanding and experience) and capacity, to fully scrutinise, challenge and support management. It also inherently takes time for members to fully understand the IJB and its activities.

Two Council voting members have been suspended from their political group and removed from the Council's Administration post year end. A motion proposing their removal from the Board was defeated by an amendment, at a special Council meeting on 2 September 2019.

Management ensures that new members are appropriately trained, as highlighted on page 16. Although we have not identified deficiencies in member scrutiny and challenge during the year, it is clear that members are aware that their role is challenging and they have a steep learning curve to ensure that they can fully deliver on their role. The IJB is forecasting a deficit position for 2019-20 and is facing significant cost and demand pressures moving forward. Members will need to make important decisions moving forward around the ambitions of the Strategic Commissioning Plan, in particular the future shape and scale of service delivery.

Internal audit

The IJB has an internal audit function which undertakes reviews at both the IJB level and the local authority level. NHS Tayside has its own internal audit function, however any reviews specific to the IJB are shared with the Board and Audit and Performance Committee.

During 2018-19, the responsibility of fulfilling the role of the Chief Internal Auditor changed from Perth and Kinross Council to NHS Tayside. The internal audit function is carried out by the Fife, Tayside and Forth Valley internal audit service, in conjunction with PKC's internal audit in its role as PKC internal auditors.

Internal audit provides the IJB and section 95 officer with independent assurance on the IJB's overall risk management, internal control and corporate governance processes.

The Chief Internal Auditor concluded in the 2018-19 annual audit report that sufficient work was completed during the year, to enable them to conclude that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's internal control system. We concurred with these findings and found no deficiencies.

Governance and transparency (continued)

Risk management

In 2016, the three IJBs within the Tayside area agreed a risk management strategy, in conjunction with their respective partner bodies. A strategic risk management framework and risk register were developed, which were considered at the Audit and Performance Committee in November 2018. The policy requires quarterly consideration of the risk register at a senior management team level, and for annual consideration at the audit and performance committee. We consider reporting frequencies to be reasonable.

The IJB has undertaken a self-assessment of its governance framework, and presented an action plan to Audit and Performance Committee on 19 June 2018. This provided assurance that key risks to the achievement of integration objectives have been appropriately identified, communicated and actions undertaken. Regular updates provide assurance to the Board that the risk previously identified are being addressed by management.

System of internal control

Perth and Kinross Council and NHS Tayside are the partner bodies. All financial transactions of the IJB 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.

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 Board does not directly employ staff, investigations will be carried out by the internal audit service of the partner body where any fraud or irregularity originates. NHS Tayside can also call on the expertise of Counter Fraud Services provided through NHS National Services Scotland.

Conclusion

DRAFT

The IJB has effective scrutiny and governance arrangements, supported by joint internal audit staff from both partners, and with adequate focus on risk management. The IJB conducts its business in an open and transparent manner.

The arrangements in place to investigate and prevent fraud are appropriate.

Membership of the IJB has become more stable, however, two Council voting members have been suspended from their political group and removed from the Council's Administration post year end. A motion proposing their removal from the Board was defeated by an amendment, at a special Council meeting on 2 September 2019. Further changes to membership or tension between members could significantly impair the IJB's ability to operate effectively.

Value for money

Value for money (“VfM”) 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 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 indicators

As part of the IJB’s arrangements to consider value for money, management produce and present an annual performance report to the Board. The report links performance of the five IJB objectives against the nine national health and wellbeing outcomes as set out in the strategic commissioning plan.

The partnership objectives cover:

- prevention and early intervention;
- person-centred health, care and support;
- working together with our communities;
- reducing inequalities and unequal health; and
- making best use of available facilities, people.

The annual report highlights the strength and weaknesses of the IJB against historic performance, and performance against the Scottish average. From a review of the annual performance report, the IJB is performing favourably compared to the Scottish average, and have largely improved against previous regional results.

Value for money in key decisions

DRAFT

The board considers and discusses difficult decisions throughout the year as appropriate. For example, the transformational change projects to prioritise. These are supported by options appraisals and business cases where appropriate.

Strategic and corporate planning

The Strategic Commissioning Plans Guidance published by the Scottish Government in 2015 sets out an expectation that developing and updating strategic plans should be part of an iterative, cyclical process. The importance of having a Strategic Plan in place was reiterated by the IJB’s Internal Audit Service in their report dated 11 June 2019.

Although management understand the importance of having a Strategic Plan to provide a clear strategic direction, there have been significant delays in its preparation which we consider to be a result of insufficient corporate capacity.

The annual governance statement records the Chief Officer’s intention to address key gaps around planning and performance, workforce and organisational development as part of a wider review of organisational structure.

Recommendation three

Conclusion

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

As noted on page 17, the workforce plan is overdue and while service level consideration occurs, preparation of a corporate view has not commenced. It is also important that the IJB forms a Strategic Plan. The Chief Officer plans to address key gaps in corporate capacity and we consider this is important in order to ensure the effectiveness of the IJB and that officers are able to form strategic and corporate approaches for consideration by the IJB members.



Appendices

Appendix one

Appointed auditor's responsibilities

AREA	APPOINTED AUDITOR'S RESPONSIBILITIES	HOW WE HAVE MET OUR RESPONSIBILITIES
Statutory duties	Undertake statutory duties, and comply with professional engagement and ethical standards.	Appendix two outlines our approach to independence.
Financial statements and related reports	<p>Provide an opinion on audited bodies' financial statements and, where appropriate, the regularity of transactions.</p> <p>Review and report on, as appropriate, other information such as annual governance statements, management commentaries, and remuneration report.</p>	<p>Page eight summarises the opinions we have provided.</p> <p>Page 12 reports on the other information contained in the financial statements, covering the annual governance statement, management commentary and remuneration report</p>
Financial statements and related reports	Notify the Auditor General or Controller of Audit when circumstances indicate that a statutory report may be required.	Reviewed and concluded on the effectiveness and appropriateness of arrangements and systems of internal control, including risk management, internal audit, financial, operational and compliance controls.
Wider audit dimensions	<p>Demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies':</p> <ul style="list-style-type: none"> - 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 	We have set our conclusions over the audit dimensions on page 14.

Auditor independence

Assessment of our objectivity and independence as auditor of Perth and Kinross Integration Joint Board (“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.

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 FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

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

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

Summary of fees

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

Total fees charged by us for the period ending 31 March 2019 can be analysed as follows:	2018-19 £	2017-18 £
Audit of Perth and Kinross IJB financial statements	20,700	20,070
Total audit services	20,700	20,070
Non-audit services	-	-
Total	20,700	20,070

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

Appendix three

Required communications with the IJB Board

Type	Response
Our draft management representation letter	 We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2019.
Adjusted audit differences	 There were no adjusted audit differences.
Unadjusted audit differences	 There were no unadjusted audit differences.
Related parties	 There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit and Performance Committee	 There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	 We did not test any internal controls during our audit, and therefore have no deficiencies to report. Management retain the responsibility for maintaining an effective system of internal control.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	 No actual or suspected fraud involving group or component management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.

Type	Response
Significant difficulties	 No significant difficulties were encountered during the audit.
Modifications to auditor's report	 There were no modifications to the auditor's report.
Disagreements with management or scope limitations	 The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	 No material inconsistencies were identified related to other information in the annual report, management commentary and annual governance statement. The management commentary is fair, balanced and comprehensive, and complies with the law.
Breaches of independence	 No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
Accounting practices	 Over the course of our audit, we have evaluated the appropriateness of the IJB's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Key audit matters discussed or subject to correspondence with management	 The key audit matters (summarized on pages 10 and 11) from the audit were discussed with management.

DRAFT

Appendix four

Action plan

DRAFT

The action plan summarised 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	Agreed management actions
1. Budget setting (page 15)		Grade two
<p>The Core Health and Social Care budget for 2019-20 was approved on 15 February 2019, prior to the start of the following financial year as required. The GP Prescribing and Other Hosted Services budget was approved in June 2019, three months after the start of the financial year. At the time of this report, the Adult Mental Health budget has yet to be approved, for it to be discussed at the Board meeting in September 2019. This is six months for the start of the financial year.</p> <p>There is a risk that members and management are unable to respond to financial pressures in a timeous manner. We recognise that the IJB is reliant on the financial reporting of PKC and NHS Tayside.</p>	<p>We recommend that all budgets are discussed and approved prior to the start of the financial year.</p>	<p>Management response: Agreed</p> <p>Responsible officer: CFO</p> <p>Implementation date: 31 March 2020</p>

Appendix four

Action plan (continued)

Finding(s) and risk(s)	Recommendation	Agreed management actions
1. Budget setting (continued)		
Furthermore, the budgets in their current form do not incorporate the use of reserves and associated expenditure. As the IJB increases the use of reserves, there is a risk that the information provided to the Board does not give a clear picture of income and associated expenditure.	As a financial management tool, it is important that the financial plan includes the use of reserves and associated expenditure.	
2. Risk sharing agreement (page 18)		Grade two
<p>The integration scheme states that any overspend incurred from 2018-19 onwards may be allocated on a proportionate basis of each partners contribution to the IJB. For 2019-20, there has not yet been any agreement between partners on how any overspend may be shared and we understand discussions have been limited.</p> <p>We consider best practice to be a formal documentation of the agreement, which will assist in the partners approach to budgeting.</p> <p>It is generally recognised that proportionate risk sharing facilitates effective integration.</p>	<p>We recommend that partners are requested formally agree the approach for overspends on an annual basis in advance of the financial year on which agreement is sought.</p> <p>Consistency of approach, and consideration of third party guidance should be included as part of the agreement.</p>	<p>Management response: Agreed. There is recognition of the need to move towards a proportionate risk-sharing agreement.</p> <p>Responsible officer: Chief Officer</p> <p>Implementation date: 31 March 2020</p>
3. Strategic and corporate planning capacity (page 17 & 21)		Grade one
<p>Although management understand the importance of having a strategic plan in place, there have been significant delays to the preparation of the plan mainly due to lack of capacity within the organisation.</p> <p>We note that the IJB is currently developing a workforce plan. The plan was due by 31 March 2019 however, from the review of the June 2019 risk register, we note that the issue is now overdue.</p> <p>Continued changes in IJB membership reduce the level of experience and ability of members to adequately consider, challenge and support management proposals. In this context, the importance of officer capacity is enhanced.</p>	<p>It is recommended that the Chief Officer addresses key gaps required to provide sufficient officer capacity in respect of strategic and corporate planning in order to ensure the IJBs effectiveness.</p>	<p>Management response: Agreed. The need for an enhanced corporate and strategic planning capacity as being considered. The organisational restructure of the IJB will address this.</p> <p>Responsible officer: Chief Officer</p> <p>Implementation date: 31 March 2020</p>

Appendix five

Prior year recommendations

DRAFT

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 2016-17 final audit and their current status.

Grade	Number recommendations raised	Implemented	In progress	Overdue
Final	3	1	-	2

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

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions	Status
1. Financial reporting timeliness (page 15)	Grade two		
<p>During our audit, we review financial reporting as part of our assessment of financial management. We identified on that financial reporting was in excess of two months behind, most notably on 23 March 2018, were the financial position being reported was 31 December 2017.</p> <p>There is a risk that members and management are unable to respond to financial pressures in a timeous manner. We recognise that the IJB is reliant on the financial reporting of PKC and NHS Tayside.</p>	<p>We recommend that management discuss with partners the financial reporting process. Any reduction in the timescales would allow members to make decisions based on more up to date information.</p>	<p>Management response: Agreed. Actions have been taken to accelerate financial reporting which will ensure an improvement in timescales for reporting.</p> <p>Responsible officer: Chief Financial Officer</p> <p>Implementation date: Complete</p>	<p>Implemented</p> <p>We are satisfied that management have implemented this recommendation.</p>

Appendix five

Prior year recommendations (continued)

DRAFT

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions	Status
2. Risk sharing agreement (page 18)	Grade two		
<p>The integration scheme states that any overspend incurred from 2018-19 onwards may be allocated on a proportionate basis of each partners contribution to the IJB. For 2018-19, there has been an informal agreement between the partners that any overspend will be met by the partner with operational responsibility. There is no formal documentation for this arrangement.</p> <p>From our discussion with management, and our understanding of the integration scheme, we consider best practice to be a formal documentation of the agreement, which will assist in the partners approach to budgeting.</p>	<p>We recommend that the partners formally agree the approach for overspends on an annual basis in advance of the financial year on which agreement is sought.</p>	<p>Management response: Agreed.</p> <p>Responsible officer: Chief Officer</p> <p>Implementation date: 31 October 2018</p>	<p>Not implemented</p> <p>No formally documented position has been reached. See current year recommendation two.</p>
3. Workforce planning (page 21)	Grade three		
<p>The IJB's workforce plan is being developed. Once complete this will reflect the NHS approach to workforce planning. The executive team has completed work to date, however the workforce plan has still to be approved by the Board.</p> <p>There is a risk, given the demographics of the workforce, that without a workforce plan in place there could be a detrimental impact to the achievement of the IJB's strategy.</p>	<p>The IJB should progress workforce planning to identify and address potential skills gaps.</p>	<p>Management response: Agreed. Development of workforce plans will be a key priority for each Care Programme Board.</p> <p>Responsible officer: Clinical Director / Head of Health</p> <p>Implementation date: 31 March 2019</p>	<p>Not implemented</p> <p>Through reviewing the risk register, it was noted that the workforce plan has not been completed yet. See current year recommendation three.</p>



The contacts at KPMG in connection with this report are:

Michael Wilkie

Director

Tel: 0141 300 5890

michael.wilkie@kpmg.co.uk

Christopher Windeatt

Assistant Manager

Tel: 0131 451 7738

christopher.windeatt@kpmg.co.uk

Flavia Czika

Assistant Manager

Tel: 0131 527 6624

flavia.czika@kpmg.co.uk



© 2019 KPMG LLP, a UK limited liability IJB and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

Perth and Kinross
Integration Joint Board

Audited Accounts 2018/19





SECTION 1
MANAGEMENT COMMENTARY

SECTION 2
STATEMENT OF RESPONSIBILITIES

SECTION 3
REMUNERATION REPORT

SECTION 4
ANNUAL GOVERNANCE STATEMENT

SECTION 5
ANNUAL ACCOUNTS

SECTION 6
NOTES TO THE ANNUAL ACCOUNTS

SECTION 7
INDEPENDENT AUDITOR'S REPORT TO
THE MEMBERS OF PERTH AND KINROSS
INTEGRATION JOINT BOARD

SECTION 8
GLOSSARY OF TERMS

SECTION 1: MANAGEMENT COMMENTARY

INTRODUCTION

This publication contains the financial statements for Perth and Kinross Integration Joint Board (IJB) for the year ended 31 March 2019.

The Management Commentary outlines key messages in relation to the objectives and strategy of IJB and the financial performance of the IJB for the year ended 31 March 2019. It also provides an indication of the issues and risks which may impact upon the finances of the IJB in the future and the challenges it faces in meeting the needs of the people of Perthshire and Kinross.

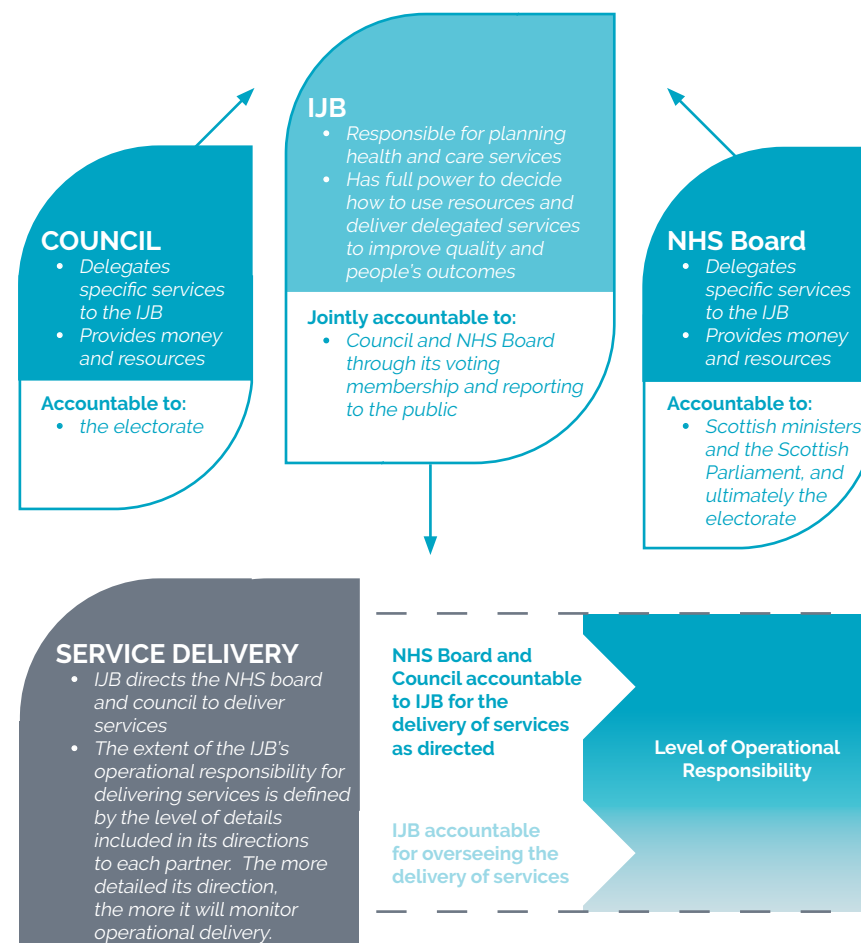
The IJB was established as a body corporate by order of the Scottish Ministers on 3 October 2015 as part of the establishment of the framework for the integration of health and social care in Scotland under the Public Bodies (Joint Working) (Scotland) Act 2014.

The IJB is a legal entity responsible for the strategic planning and commissioning of a wide range of services across Perth and Kinross. This includes social care, primary and community healthcare and unscheduled care for adults. In addition the IJB plans and commissions specific health care services across Tayside by means of hosted services arrangements agreed in the Integration Scheme between NHS Tayside and Perth & Kinross Council.

Exhibit 1 sets out the business model that supports the IJB's activities.

Exhibit 1 *Integration Joint Boards*

*There are 30 Integration Joint Boards across Scotland.
Source: Audit Scotland*



SECTION 1: MANAGEMENT COMMENTARY

Perth & Kinross Council and 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.

An NHS Tayside Board Non Executive nominee was the Chair of the IJB during 2018/19 and the Vice-Chair was drawn from Perth & Kinross Council. A number of non-voting Representative Members sit on the IJB 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*

In line with the Integration Scheme, corporate support to the IJB is provided by each parent body. Across a range of functions differing levels of support have been provided and significant work has been taken forward in 2018/19 to integrate and where necessary enhance resources available to build effective partnership functions.

The IJB's Chief Financial Officer has led the development of an integrated finance team for Perth and Kinross Health and Social Care Partnership (PKHSCP) building on the finance support provided by Perth & Kinross Council and NHS Tayside. Further work is now being taken forward to develop other key integrated functions including performance, strategic planning and business support services during 2019/20.

A new Chief Officer commenced on 1 April 2019. The Chief Officer will review current leadership and management arrangements with a view to further integration.

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 IJB 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."

SECTION 1: MANAGEMENT COMMENTARY

The Strategic Plan sets out a number of Strategic Objectives designed to ensure a direction of travel by the Perth and Kinross Health and Social Care Partnership (PKHSCP) consistent with National Objectives:

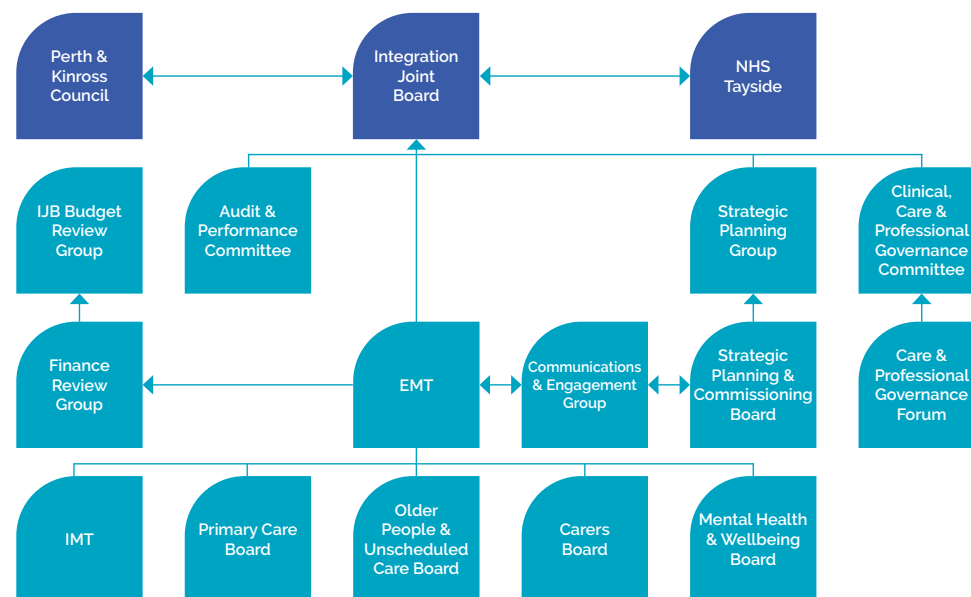
1. *Prevention and early intervention*
2. *Person-centred health, care and support*
3. *Working together with our communities*
4. *Reducing inequalities and unequal health outcomes and promoting healthy living*
5. *Making best use of available facilities, people and other resources*

A review and refresh of the 2016-19 Strategic Plan is due to be completed by September 2019 however the overall vision and strategic objectives are not expected to change.

In 2018/19, PKHSCP redesigned its Strategic Planning Framework, creating four Programmes of Care (Older People and Unscheduled Care, Mental Health and Wellbeing, Primary Care, and Carers) to provide a co-ordinated approach to achieving the objectives of the PKHSCP Strategic Commissioning Plan. **Exhibit 2** sets out the governance arrangements that support delivery of PKHSCP strategic priorities. The IJB's strategic ambitions sit alongside operational imperatives across a wide range of services. This creates a very challenging landscape for each Programme Board in developing and overseeing implementation of major plans for service redesign.

A summary of progress during 2018/19 and priorities moving forward for each Strategic Programme along with Inpatient Mental Health Services (which the IJB host on behalf of all 3 Tayside IJBs) are set out on the following pages.

Exhibit 2 Governance Arrangements



SECTION 1: MANAGEMENT COMMENTARY



Older People and Unscheduled Care (OPUSC) Board

During 2018/19 the IJB received the Strategic Delivery Plan for Older People and Unscheduled Care which sets out plans for:

- *promoting thriving, resilient communities through volunteering, social prescribing and neighbourhood initiatives;*
- *investing in a rehabilitative model of care, based in communities to significantly improve people's ability to remain at home for as long as possible;*
- *reviewing the use of our inpatient hospital bed base and care home placements, exploring where possible, new models to support people in their own homes for as long as possible and to ensure equity of access;*
- *enhancing technology enabled care and home health monitoring to help people remain living in their own homes;*
- *continuing to improve the Admission and Discharge Pathways for people between hospital and the community.*

This ambitious transformation of services will be implemented during 2019/20.



SECTION 1: MANAGEMENT COMMENTARY



Mental Health and Wellbeing Board (MHWB)

During 2018/19 the Mental Health and Wellbeing Board agreed key principles for transformation of services moving forward:

- *Support individuals to maximise their independence and health with the right support at the right time with a focus on early intervention and prevention.*
- *Embed multidisciplinary team working at the heart of 'seamless' care pathways and support for people and promote equalities.*
- *Implement a model of care that is financially sustainable.*

Detailed plans have been developed to enhance support to people with Mental Health issues, which will significantly increase the number of dedicated mental health professionals in statutory and non-statutory services in line with Action 15 of the Scottish Government Mental Health Strategy for which £0.300M was allocated to the IJB in 2018/19.

Detailed plans have also been developed to enhance services for people with Drug and Alcohol issues. Additional Scottish Government funding will be focused on enhancing the full pathway of a '*Recovery Oriented System of Care*' including multidisciplinary clinics, a Recovery Community and increased support for harm reduction.



SECTION 1: MANAGEMENT COMMENTARY

During 2019/20, we will be developing plans for new models of complex care for clients with Learning Disability and/or Autism. The aim is to develop a financially sustainable model that provides a high quality of care, delivering improved outcomes.

Further, as part of the wider Mental Health Alliance being established across Tayside we will work together to provide seamless care across pathways.



Primary Care Board (PCB)

During 2018/19 the Primary Care Board has overseen several significant programmes of transformation.

The PKHSCP Primary Care Improvement Plan approved by the IJB in June 2018 will significantly transform primary care services in direct support of general practice under the terms of the 2018 General Medical Services contract (the GMS contract). This includes redesign of vaccination services, ensuring effective pharmacotherapy services, establishing new Community Care and Treatment services, transforming urgent care through establishment of Advanced Nurse Practitioner-led services, implementing a musculoskeletal first point of contact, and aligning improved mental health support services to GP practices. Ongoing review and implementation of the Primary Care Investment Fund will be a significant priority for the PKHSCP in 2019/20.

During 2018/19 the PKHSCP Quality Safety and Efficiency in Prescribing Programme has been established. A significant focus has been on the development of management information to understand variation across GP Practices and identify opportunities to improve effectiveness and efficiency. The impact of the increasing older population in Perth and Kinross has significantly increased expenditure on prescribing. We are engaging proactively with all GP Practices across Perth and Kinross to maximise effectiveness. Prescribing trends in Perth and Kinross (November 2018) highlight that all of the major indicators demonstrate improvements.



Other Hosted Services

As part of the IJB's wider responsibilities for hosted services significant review and redesign has been progressed. Prison Healthcare activity has focused on ongoing service improvement following an inspection from Her Majesty's Inspectorate of Her Majesty's Prison Perth and continuing with the Patient Safety Collaborative. The service has made some significant progress in relation to the provision of healthcare which has been commended in a follow-up inspection.

There has been remodelling of the Podiatry workforce to enhance inequity of specialist podiatry care across Tayside and optimise on the skill mix to support safe and effective patient care. We have supported the building of capacity and community capability for self-care.

SECTION 1: MANAGEMENT COMMENTARY

For public dental services activity has continued to focus on providing high-quality and accessible care for patients who have special care needs or who have difficulty accessing mainstream clinical services.



Carers Board

The Carers Board approved the PKHSCP Short Break Services Statement on 6 December 2018. This is in line with the requirements of the Carers Scotland Act 2016. There is work underway in terms of public consultation allowing co-production of the Carers Strategy.



Inpatient Mental Health Services:

The IJB hosts Inpatient Mental Health Services on behalf of all 3 IJBs in Tayside. During 2018/19, there have been significant challenges relating to the supply, attraction and retention of critical posts for medical and nursing workforce. We are developing a Mental Health Workforce Plan which will include a programme of work to reform the workforce across mental health with a clear understanding of current state and future workforce needs. In parallel we are progressing the implementation of the agreed Mental



SECTION 1: MANAGEMENT COMMENTARY

Health Transformation Plan which seeks to redesign the bed base across Tayside to deliver safe, effective services that are sustainable. We have worked in partnership with NHS Tayside and all 3 IJB's to establish a new Mental Health Alliance aimed at involving all stakeholders in the future redesign pathways and models of care moving forward. Further, our Mental Health & Learning Disabilities Improvement Plan aims to encourage and enable staff to work with people who use our services to deliver improvement in their areas, and to demonstrate how these improvements have made a difference. The primary purpose of the quality improvement programme is to improve patient outcomes.



Large Hospital Set Aside

The Older People and Unscheduled Care Board and the Perth Royal Infirmary (PRI) Clinical Forum have been critical in helping us to understand the impact of planned changes to service provision and performance on the delegated hospital budgets including large hospital set aside. There is also joint working around service design in relation to some clinical pathways.

The 3 Year Financial Plan for Core Health and Social Care Services, agreed by the IJB, sets out an anticipated shift in resources from bed-based to community over the three year period.

PERFORMANCE REVIEW

The Scottish Government has determined a key set of performance indicators that they consider measure the progress of integration. Our performance compared to last year against each of the indicators is set out below.

Ministerial Strategic Group for Health and Community Care (MSG)
Table 1 - MSG indicators

MSG Indicator	MSG Description	IJB Total Previous Year 2017/18	IJB Current Year 2018/19	IJB YTD diff from 2017/18
1a	Emergency Admissions	15,021	14,592	429
2a	Unscheduled hospital bed days	102,451	96,867	5,584
3a	A&E Attendances	32,506	32,888	382
4.1	Delayed discharge bed days*	16,785	14,203	2,582
5.1	Proportion of last 6 months of life spent at home or in a community setting	89.64%	89.68%	0.04%
6.1	Percentage of population at home unsupported	90.00%	n/a**	n/a

*All ages DDs including complex cases

** Information not available until October 2019

SECTION 1: MANAGEMENT COMMENTARY

Emergency Admissions

Enabling people to improve their own health and wellbeing is a key outcome for the health and social care partnership. One of the measures we use to understand if people are improving their own health is if they are reducing their likelihood of being admitted to hospital in an emergency with a resultant drop in emergency admissions. For the PKHSCP the number of emergency admissions over the last four years is relatively stable showing a slowly reducing/improving trend. This continues to be the case when we compare last year's numbers of emergency admission to this year. The target for 2018/19 was 14,875 which means that the target was achieved and improved upon.

Unscheduled (Unplanned) Hospital Bed Days

People who improve their own health and wellbeing are more likely to avoid a hospital admission and the resultant use of a hospital bed during their stay. But once a hospital admission has been necessary in an emergency, it is important for people to get back home as soon as they are fit to be discharged to avoid the risk of them losing their confidence and ability to live independently. Reducing the number of emergency bed days caused by unplanned admissions is how we measure our ability to get these people home faster. In PKHSCP we have seen a consistent reduction in the number of emergency bed days over the past 4 years. This continues to be the case in 2018/19 when comparing to previous years. The target for 2018/19 was 105,019 which means that the target was achieved and improved upon.

A&E Attendances

Reducing A&E attendances is an ongoing challenge across Scotland. Currently A&E attendances are seeing a slow increase each year. A&E attendances can be an indication of the degree to which community services are helping people receive care in the right place at the right time. PKHSCP are working in collaboration with NHS Tayside to review attendances and pathways; increase awareness and use of Anticipatory Care Plans; develop Community Care & Treatment Centres; focus on early intervention and prevention. Along with a variety of additional strategies the PKHSCP plan to slowly reduce A&E attendances over the coming years. The target for 2018/19 was 31,825 which means that the target was missed.

Proportion of Last Six Months of Life Spent at Home or in a Community Setting

The proportion of last six months of life spent at home or in a community setting should ideally represent the wishes and choices for patients and their carers and also demonstrates the effectiveness of having a planned approach to end of life care. For PKHSCP this is a positive indicator that demonstrates our year on year ability to meet the wishes of our people and support more of them at home receiving palliative or end of life care and our ability to support those with the most complex needs in their own home in their last six months of life and in accordance with their wishes. The final value for 2017/18 is 89.64%. The target is to maintain or improve on this value. The final value for 2018/19 was 89.68% which is an improvement over the previous year.

SECTION 1: MANAGEMENT COMMENTARY

Delayed Discharge

People should not have to wait unnecessarily for appropriate care to be provided after treatment in hospital. Being delayed in hospital is a poor outcome for the individual, is an ineffective use of scarce resource and potentially denies an NHS bed for someone else who might need it. Over the past four years, there has been a year on year improving picture in relation to delayed discharge for Perth and Kinross. We have recently seen the lowest level of delayed discharge since 2014. For people delayed, this represents a reduction in the impact of unnecessary time spent delayed in a hospital bed and reduces their chances of a poorer health and wellbeing outcome. The 2018/19 target for delayed discharge was 17,258. The final 2018/19 value was 14,203 which means that the target was achieved and improved upon.

Percentage of Population at Home Unsupported

This new measure will demonstrate the combined success of a variety of key priorities of the PKHSCP in shifting people away from high cost institutional care to lower cost care in the community where people's health and wellbeing will be greatly improved. It is expected that we will be tracking this measure for a number of years. No data available to set targets until October.

FINANCIAL MANAGEMENT

Background

The IJB's finance's are overseen by the IJB's Chief Financial Officer. The Chief Financial Officer is supported by finance staff from both Perth & Kinross Council and NHS Tayside.

Prior to April 2016, the IJB had developed the financial governance infrastructure required to allow it to assume new responsibilities from 1 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.

The 2018/19 Annual Accounts comprise:

- (a) **Comprehensive Income and Expenditure Statement**
- this shows a surplus of £2.470M. This is made up of a breakeven position for the IJB overall plus £2.470M of earmarked funding that is being transferred to reserves for future commitments. Further detail is provided in section c) below and in Note 6. The underlying out-turn for the IJB is a £1.160M overspend. However in line with the risk sharing agreement with NHS Tayside and Perth & Kinross Council further non-recurring budget has been devolved to the IJB to deliver breakeven.

SECTION 1: MANAGEMENT COMMENTARY

- (b) **Movement in Reserves** - *Earmarked reserves of £2.470M have been generated. Most significantly from Mental Health Action 15 Funding, Alcohol and Drug Partnership Funding and Primary Care Improvement Funding. This surplus has been transferred to earmarked IJB reserves for specific projects and commitments.*
- (c) **Balance Sheet** - *In terms of routine business the IJB does not hold assets, however the transfer of £2.470M of earmarked reserves is reflected in the year-end balance sheet.*
- (d) **Notes** - *comprising a summary of significant accounting policies, analysis of significant figures within the Annual Accounts and other explanatory information.*

The Annual Accounts for 2018/19 do not include a Cash Flow Statement as the IJB does not hold any cash or cash equivalents.

SECTION 1: MANAGEMENT COMMENTARY

Financial Performance 2018/19

Our financial performance for the year compared to Financial Plan is summarised in the table below:

	Financial Plan Shortfall £M	Budget £M	Actual £M	Year-End Variance Over/(-)Under £M
Older Peoples Service/Physical Disabilities incl. AHPs	0.046	66.279	66.485	0.206
Learning Disabilities/Mental Health/Addictions	0.000	24.177	24.591	0.414
Planning/Management /Other Services	0.000	7.913	7.230	(0.683)
Sub-Total Core Services	0.046	98.369	98.306	(0.063)
Prescribing	0.438	26.678	27.520	0.842
General Medical Services	0.000	24.109	24.114	0.005
FHS	0.000	17.400	17.366	0.034
Hosted Services	0.436	21.023	21.433	0.410
Large Hospital Set-Aside	0.000	14.346	14.346	0.000
Sub-Total All Services	0.920	201.925	203.085	1.160
Additional Budget from Partner Body				
NHS Tayside		0.319		(0.319)
Perth & Kinross Council		0.841		(0.841)
Sub-Total General Fund Reserves Total	0.000 0.920	203.085 2.470 205.555	203.085 0.000 203.085	0.000 (2.470) (2.470)

SECTION 1: MANAGEMENT COMMENTARY

The out-turn in 2018/19 was an overspend of £1.160M, this compared to a financial plan gap of £0.920m. The primary areas of overspend are within:

- *Older People and Physical Disabilities Services due to unanticipated demand for Care Home Placements and Care at Home Services;*
- *Learning Disabilities and Mental Health Services due to an unprecedented level of demand for Community Services;*
- *GP Prescribing due to growth above expectation, undelivered savings and the impact of an unanticipated national reduction in funding;*
- *Inpatient Mental Health Services driven by supplementary staffing and a historic balance of undelivered savings.*

Of the £5.3M approved savings within Core Health and Social Care, £4.8M were delivered (90%). The undelivered balance contributed to the overall overspend position.

At the year end both Perth & Kinross Council and NHS Tayside increased the devolved budget to the IJB by £0.841M and £0.319M respectively, in order to support delivery of breakeven for 2018/19 in line with the Integration Scheme.

During 2018/19, funding was received from Scottish Government for a number of initiatives. These included Mental Health Action 15 monies, Alcohol & Drug Partnership Funding and funding to implement the Primary Care Improvement Plan. The underspend of £2.470M against these funds in 2018/19 has been transferred to an earmarked IJB reserve to meet future year commitments.

Financial Outlook, Risks and Plans for the Future

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

A 3 Year Financial Plan for Core Health & Social Care Services has been approved by the IJB for 2019/20: 2021/22. A budget settlement with Perth & Kinross Council and NHS Tayside has been agreed for 2019/20 with indicative allocations for 2020/21 and 2021/22. A gap of circa £5M is currently predicted over the 3 year period despite a significant transformation and efficiency programme.

The scale of pay, price and demand pressures across social care services in particular is our biggest financial challenge. The IJB is committed to delivering services within resources available and a range of further radical proposals will be brought forward over 2019/20 to support delivery of financial balance.

Prescribing is another significant financial challenge for the IJB, with the increasing elderly population having a direct impact on growth. In addition, unanticipated increases in the price of medicines in 2018/19 are expected to continue in 2019/20. Therefore despite a significant programme of efficiencies driven through the Quality Safety and Efficiency Programme (QSEP) and allocation of additional funding, an overspend is still predicted for 2019/20.

SECTION 1: MANAGEMENT COMMENTARY

The IJB have hosting responsibility for Inpatient Mental Health services and whilst any overspend is shared across the three IJBs in Tayside, the IJB have strategic responsibility to deliver a financially sustainable service. An overspend is predicted again for 2019/20 with anticipated savings from approved transformation plans not delivered as expected. Under new leadership, but facing significant challenges, a revised service model across General Adult Psychiatry and Learning Disabilities is being developed. This new model must support workforce and financial sustainability in the medium term. A new Mental Health Alliance across Tayside is being established which will ensure joint collaboration to deliver effective and affordable services.

In addition to the financial challenge a number of other key risks have been identified that may impact on the ability of the IJB to meet its Strategic Objectives:

- **Workforce:** *PKHSCP face a number of recruitment and retention challenges that may impact on the deliverability of existing and proposed service models. A number of factors are impacting on availability of staff including national shortages, the age of our workforce, rurality and the local economy. An integrated workforce plan is now required to identify the actions required to redesign sustainable models of care to within workforce expected to be available.*
- **Strategic planning and leadership:** *Both the Audit Scotland Update Report on Health and Social Care (November 2018) and the Ministerial Strategic Group*

Review of progress with Integration of Health and Social Care (February 2019) highlighted a number of challenges that need to be addressed on a Scotland-wide basis to ensure the success of integration and speed up change. Appropriate leadership capacity and including strategic planning capacity have been particularly highlighted and this has been regularly reflected in our own assessments of effectiveness. The new Chief Officer will seek to understand the capacity gaps within PKHSCP and agree with both parent bodies the actions required to ensure a sustainable leadership structure that has the strategic planning capability to increase the pace of change.

FURTHER INFORMATION

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

IJB Integration Scheme:

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

IJB Strategic Plan:

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

SECTION 1: MANAGEMENT COMMENTARY

The IJB publishes all formal Board papers at:

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

Further information regarding the Annual Accounts can be obtained from:

Chief Financial Officer
Perth & Kinross IJB
2 High Street
PERTH
PH1 5PH

CONCLUSION AND ACKNOWLEDGEMENTS

We are pleased to record that during 2018/19 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 and Kinross.

Robert Peat
IJB Chair

Gordon Paterson
Chief Officer

Jane Smith
Chief Financial Officer

Date: 27/9/19

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 27 September 2019.

Signed on behalf of the Perth and Kinross IJB

Robert Peat
IJB Chair

Date: 27/9/19

SECTION 2: STATEMENT OF RESPONSIBILITIES

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 2019 and the transactions for the year then ended.

Jane Smith
Chief Financial Officer

Date: 27/9/19

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 2019, Perth and Kinross IJB had 8 voting members and 12 non-voting members as follows:

Voting Members:

Robert Peat (Chair)

Councillor Xander McDade

Councillor Colin Stewart (Vice-Chair)

Gillian Costello (Nurse Director)

Councillor Callum Purves

Lorna Birse Stewart (Non-Executive Member)

Councillor Eric Drysdale

Professor Nic Beech (Non-Executive Member)

Non-voting Members:

Robert Packham (Chief Officer)

Dr Drew Walker (Director of Public Health)

Jane Smith (Chief Financial Officer)

Allan Drummond (Staff Organisations Rep)

Jacqueline Pepper (Chief Social Work Officer)

Stuart Hope (Staff Organisations Rep)

Clare Gallagher (Third Sector Representative)

Jim Foulis (Associate Nurse Director)

Linda Lennie (Service User Representative)

Dr Alistair Noble (SACH and External Advisor)

Bernie Campbell (Carers Representative)

During 2018/19 the position of Chair was held by Steven Hay, Non-Executive, until 10 September 2018, then by Robert Peat, Non-Executive, from 1 October 2018 until present day.

The position of Vice-Chair was held by Councillor Crawford Reid until 30 April 2018. The position of Vice-Chair from May 2018 until present day has been filled by Councillor Colin Stewart.

SECTION 3 REMUNERATION REPORT

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 postholders 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. There were no taxable expenses paid by the IJB to either the Chair or the Vice-Chair in 2018/19.

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.

Chief Officer

Under section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014 a Chief Officer for the IJB has to be appointed and the employing partner has to formally second the officer to the IJB.

The employment contract for the Chief Officer adheres to the legislative and regulatory framework of the employing partner organisation. The remuneration terms of the Chief Officer's employment are approved by the IJB.

Other Officers

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 adheres to the legislative and regulatory governance of the employing partner organisation. The Chief Financial Officer is included in the disclosures below:

Total 2017/18 £	Senior Employees	Salary, Fees & Allowances £	Total 2018/19 £
86,112	Rob Packham Chief Officer	89,261	89,261
70,539	Jane Smith Chief Financial Officer	72,675	72,675
156,651	Total	161,936	161,936

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

SECTION 3: REMUNERATION REPORT

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 31/03/18	For Year to 31/03/19		Difference from 31/03/18	As at 31/03/19
	£	£		£	
Rob Packham Chief Officer	13,168	13,510	Pension	1,781	26,726
			Lump sum	5,344	80,178
Jane Smith Chief Financial Officer	10,513	10,829	Pension	2,065	22,979
			Lump sum	1,490	51,169
Total	23,681	24,339	Pension	3,846	49,705
			Lump Sum	6,834	131,347

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	Remuneration Band	Number of Employees in Band
2017/18		2018/19
1	£70,000 - £74,999	1
1	£85,000 - £89,999	1

Exit Packages

No exit packages were paid to IJB staff during this period or the previous period.

Robert Peat
IJB Chair

Gordon Paterson
Chief Officer

Date: 27/9/19

SECTION 4: ANNUAL GOVERNANCE STATEMENT

INTRODUCTION

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

SCOPE OF RESPONSIBILITY

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

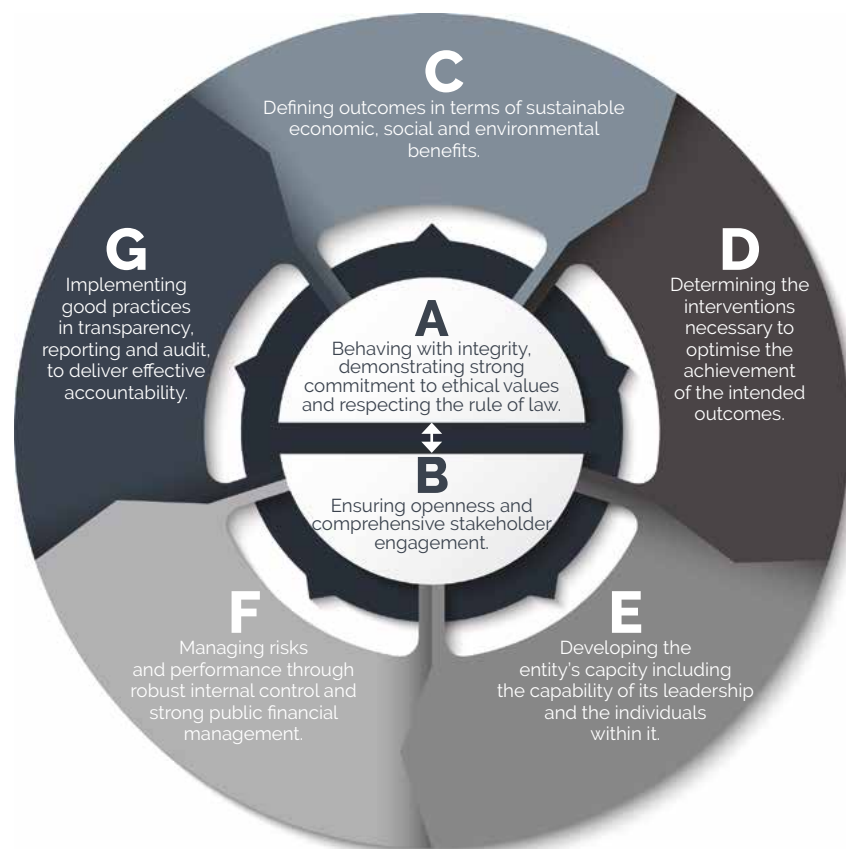
To meet this responsibility the IJB has established arrangements for governance that includes a system of internal control. The system is intended to manage risk to support achievement of the IJB's policies, aims and objectives. Reliance is also placed on the NHS Tayside and Perth & Kinross Council systems 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.

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 the 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.

The core principles of good governance are set out in the diagram on the following page.

SECTION 4: ANNUAL GOVERNANCE STATEMENT



As a relatively new public body, the IJB supported by the Executive Management Team (EMT) have worked hard to develop an effective governance framework underpinned by these principles and to ensure that it operates effectively in practice. We have been supported by our parent bodies but have also sought to identify best practice systems and processes from elsewhere. The key features of the governance framework that were in place during 2018/19 are summarised below.

LEADERSHIP, CULTURE AND VALUES

A code of conduct for members and employees is in place along with a register of interest. A standards officer has been appointed and standing orders are in place. The development programme for IJB members has been in place since inception and this has been a key feature in developing working relationships between the Chair, members and officers. This includes visits to our health and social care services in the community, in hospitals and in the prison. It also includes the provision of induction sessions/refreshers at regular intervals. This has been particularly important in the face of significant changes to membership.

The Chair and Chief Officer meet regularly and the Chief Financial Officer and Chair of the Audit and Performance Committee meet on a monthly basis. The Strategic Commissioning Plan has provided a clear sense of shared direction and purpose across the IJB membership and PKHSCP Team and the refresh which is underway will further align our collective and collaborative activity.

SECTION 4: ANNUAL GOVERNANCE STATEMENT

The IJB Chair is supported effectively to carry out his role with independent legal and governance support and effective committee services. The Chief Officer is a Director in the parent organisations, a member of the Executive Teams, attends the NHS Board and Council and is directly accountable to both Chief Executives, who provide regular one to ones. As well as the support from both parent bodies' Executive Group, the Chief Officer benefits from the support of the Council's Chief Social Work Officer, who is a member of the IJB and the Clinical and Professional Governance Forum.

STAKEHOLDER ENGAGEMENT

The IJB Meetings are public meetings and membership includes wide stakeholder representation including carers, service users and the third sector. A Communication Strategy and Participation and Engagement Strategy have been agreed by the IJB at inception and both are now being refreshed to learn from our experience thus far.

The Strategic Commissioning Plan was developed following engagement with over 4,000 local people and the role and membership of the Strategic Planning Group has been refreshed to ensure it provides a critical forum for wide stakeholder involvement in shaping strategic delivery plans moving forward. Our locality managers are part of the Local Action Partnerships (Community Planning). In addition the PKHSCP is represented on a number of wider community groups, eg Alcohol and Drugs Partnership. Our overarching Strategic Planning and Commissioning Board and four Strategic

Programme Boards have been designed to promote strong leadership and engagement with clinical stakeholders. In developing its new Strategic Commissioning Plan the PKHSCP will engage further with key stakeholders and will also reflect on the effectiveness of the existing strategic planning and engagement activity. A refresh of the role and remit of the Communications and Engagement Group is underway as well as a review of corporate support.

We have a Health and Social Care Strategic Forum, facilitated by Perth & Kinross Association of Voluntary Service (PKAVS), our third sector interface. This connects third sector organisations into the PKHSCP and contributes to joint strategic planning and commissioning, organisational development, locality working, volunteering and quality assurance. Feedback from members confirms that the forum provides an effective means for raising issues and influencing the HSCP's direction and activity.

The Partnership works closely with Independent Contractors such as Care Providers, GPs, Dentists, Optometrists and Pharmacists in the delivery of Health and Care Services across Perth and Kinross. The Partnership has engaged regularly with all elected members of Perth & Kinross Council around the challenges and opportunities and the 3 Year Financial Plan.

The refresh of the Strategic Plan will challenge us to further develop our work in and engagement with local communities and the transformation work that follows will require us to redesign services together with citizens and communities to deliver improved outcomes.

SECTION 4: ANNUAL GOVERNANCE STATEMENT

VISION, DIRECTION AND PURPOSE

The Strategic Commissioning Plan 2016-2019 has provided a clear vision and the Performance Strategy approved by the IJB set out the commitment to ensure we have the framework in place to measure our success. Since May 2018, the PKHSCP has been developing a new strategic delivery model made up of four strategic programmes of care, involving a range of stakeholders in strategic planning and operational developments. Recognising that there are challenges around our current approach to Strategic Planning, as well as the imminent publication of an inspection report, the IJB and both parent bodies have agreed that we can defer the production and publication of our next Strategic Plan until later in the year. This will inform a review of the current structures and systems for planning and commissioning to build on our programmes of care structure and ensure connections into localities, clear leadership arrangements and supporting capacity and a robust process for systematic monitoring and review of overall progress across all strategic priorities.

DECISION-MAKING

All reports to the IJB are in an agreed format that supports effective decision-making. The IJB Annual Work plan for 2018/19 was developed to ensure regular opportunity for review and scrutiny of progress in delivering strategic priorities. The role of the EMT has been strengthened to ensure robust review and scrutiny of progress in delivering our transformation and service redesign priorities at locality

level and for escalation of operational risk that will impact on strategic delivery. The membership of EMT has been extended to ensure wider involvement of clinical colleagues.

The development of integrated financial planning ensures a consistent approach across health and social care services. The establishment of the IJB Budget Review Group has provided IJB members with the forum for ensuring detailed understanding of the pressures and opportunities and has ensured that our members are informed to make the difficult decisions that are inevitable in the current financial climate.

ORGANISATIONAL DEVELOPMENT

The IJB Members are supported by a programme of training and development throughout the year. PKHSCP has a formal leadership structure that has been endorsed by the IJB however the new Chief Officer is considering the future organisational structure to achieve greater integration and improved effectiveness. PKHSCP relies heavily on the Corporate Support arrangements in place with NHS Tayside and Perth & Kinross Council across a range of key areas including HR, Finance, Strategic Planning and Organisational Development. As part of the wider review of organisational structure, the Chief Officer will look to address key gaps which will ensure sufficient capacity, in particular around planning and performance, workforce and organisational development. A strong coherent focus on development of a workforce plan is now required.

SECTION 4: ANNUAL GOVERNANCE STATEMENT

SCRUTINY AND ACCOUNTABILITY

Accountability is about ensuring that those making decisions are answerable for them. PKHSCP have learned from best practice elsewhere to ensure transparent reporting of our actions, but also to ensure that in this complex landscape our stakeholders can understand the intentions and ensure reports are clear and concise with the audience in mind.

In order to comply with regulations outlined by the Scottish Government's Integrated Resources Advisory Group, the IJB established an Audit and Performance Committee in July 2016. The role of the IJB Audit and Performance Committee ensures that good governance arrangements are in place for the IJB. It is the responsibility of this committee to ensure that proportionate audit arrangements are in place for the IJB and that annual financial statements are compliant with good practice standards.

PKHSCP report at regular intervals on financial performance and we are required to publish externally audited Annual Accounts each year. The third Annual Performance Report sets out success in delivering against objectives and outlines further areas for improvement and development.

Regular reports have been provided to the IJB Audit and Performance Committee on progress in implementing all external and internal audit recommendations and a transparent assessment of how PKHSCP are delivering against Best Value responsibilities and has been included within the Annual Performance Report.

INTERNAL CONTROL FRAMEWORK

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 IJB uses the systems in NHS Tayside and Perth & Kinross Council to manage its financial records. Development and maintenance of these systems is undertaken by both parent bodies 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*
- *regular reviews of periodic and annual financial reports that indicate financial performance against the forecasts.*

The Chief Financial Officer has implemented a three year budgeting process which facilitates the prioritisation of resources in the face of competing demands in line with Strategic Priorities.

During 2018/19 the Audit and Performance Committee has approved a refreshed risk management strategy and strategic risk register including mitigating actions and an escalation process. We have developed an annual work plan for the IJB which will set out clear timescales for reporting on each of our programmes of care including agreed performance

SECTION 4: ANNUAL GOVERNANCE STATEMENT

targets. EMT has provided an improved oversight function in delivering transformation and service redesign and monitoring the financial position. The Audit and Performance Committee have provided a strong scrutiny and review of our actions to develop our governance arrangements. The establishment of new Clinical Care and Professional Governance committee has been agreed by the IJB to provide improved scrutiny and oversight as further streamlining of review arrangements are taken forward. This will be an area of significant focus as we seek to further embed a performance review framework across all services.

We have an agreed Internal Audit Services from FTF Audit & Management Services.

We have agreed with PKC to the appointment of their Data Protection Officer to the IJB to ensure our GDPR requirements are met. In parallel we have ensured effective arrangements are in place with PKC and NHS Tayside for the sharing of data.

We are working with our NHS Tayside colleagues to set up an effective forum for ensuring that the planning of services that fall within our large hospital set aside budget is undertaken in a way that enables the IJB's intentions to shift the balance of care to be effectively progressed.

We are working hard with the other IJB's in Tayside to ensure strong and effective arrangements are in place to support the strategic planning and delivery of hosted services. These arrangements need to carefully consider the responsibilities of the hosting partnership alongside the wider obligation of each

IJB to the strategic planning of all services to their population.

The wider internal control framework also includes:

- *Procedures for Complaints handling*
- *Clinical Care Governance monitoring arrangements*
- *Procedures for Whistle-blowing*
- *Data Sharing arrangements*
- *Code of Corporate Governance including Scheme of Delegation; Standing Financial instructions, standing orders, scheme of administration*
- *Reliance on procedures, processes and systems of partner organisations*

The IJB's relationship with both partner bodies has meant that the controls in place in one body inevitably affect those in the other. The draft NHS Tayside Governance Statement 2018/19 concludes that corporate governance was operating effectively throughout the financial year. Perth & Kinross Council has approved a Governance Statement which also concludes positively on the adequacy and effectiveness of internal controls, accompanied by an Annual Internal Audit Report which concludes that reasonable reliance can be placed on the Council's risk management and governance arrangements, and systems of internal control for 2018/19, subject to management implementation of the agreed actions detailed in Internal Audit reports. Whilst both contain some issues which are of interest to the IJB, neither would give rise to any requirement for consideration in the IJB's Governance Statement.

SECTION 4: ANNUAL GOVERNANCE STATEMENT

ONGOING REVIEW AND FURTHER DEVELOPMENTS

We have independently developed a governance self-assessment tool which considers current internal control and governance arrangements against CIPFA Delivering Good Governance Framework. We have undertaken a full self-assessment each year since inception building a library of evidence and identifying priority areas for further development which have then been included in our Transforming Governance Action Plan.

The Audit and Performance Committee have received regular reports on progress in delivering the Action Plan. We are committed to continue working hard to achieve best practice in all areas of governance and will fully consider all recommendations for improvement within the Joint Inspection Report to be published in July 2019 and will seek to consolidate those areas where we have performed well.

The 2018/19 Transforming Governance Action Plan contained a number of areas for improvement and progress has been made in key areas. The IJB's Audit and Performance Committee has provided a scrutiny role over progress which can be summarised as follows:

- *As part of the development of the 3 year Financial Plan the Chief Officer and Chief Financial Officer have met with elected members across all parties to describe the financial challenge and Strategic Direction. This has supported a much more collaborative approach to budget setting for 2019/20.*

- *Further development of the Budget Review Group Process has ensured all IJB members have the necessary information to make decisions around allocation of resources in line with strategic priorities.*
- *The establishment of a new strategic planning structure through four Programmes of Care improved the effectiveness of strategic planning arrangements and has provided a platform to build on moving forward.*
- *A refreshed Risk Management Framework has been agreed by the Audit and Performance Committee inclusive of a risk escalation process. A high-level strategic risk profile has developed which is now being regularly updated and reported to the Audit and Performance Committee.*
- *Appointment of Data Protection Officer for the IJB to ensure compliance with General Data Protection Regulations.*
- *Improvement in the level and effectiveness of finance support to budget holders.*
- *Establishment of Mental Health Alliance to set the strategic intention for Mental Health Services Tayside-wide.*
- *All Hosted Services have been aligned to relevant Strategic Programme of Care Boards which are providing a strategic oversight including services hosted by other IJB's.*

Those areas identified which still require further development have been captured in the 2019/20 Transforming Governance Action Plan.

SECTION 4: ANNUAL GOVERNANCE STATEMENT

REVIEW OF ADEQUACY AND EFFECTIVENESS

The 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 including the Audit Scotland Report on the Review of Health and Social Care Integration;*
- *self-assessment against the Delivering Good Governance in Local Government Framework 2016 Edition (CIPFA);*
- *self-assessment against the Ministerial Strategic Group Recommendations;*
- *draft Annual Governance Statements for Perth & Kinross Council and NHS Tayside.*

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

In addition to regular reports to the IJB's Audit and Performance Committee during 2018/19, the Chief Internal Auditor prepares an annual report to the Audit and Performance Committee including an assurance statement containing a view on the adequacy and effectiveness of the systems of internal control.

The Internal Audit Annual Report 2018/19, received by the Audit & Performance Committee 18 June 2019 highlights findings 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 opinion of the Chief Internal Auditor that the systems of internal control relied upon by the IJB provide reasonable assurance against loss.

ACTION PLAN FOR 2019/20

Significant progress has been made against the 'Transforming Governance' Action Plan agreed for 2018/19. However following a full self-assessment process and feedback from the formal Joint Inspection, refreshed actions have now been set out to further strengthen the governance arrangements and these will include:

Leadership, Culture & Values

- *How effective is the IJB? Assessment of performance against the IJB Integration Scheme with IJB members will provide improved understanding of the IJB's role and remit.*

SECTION 4: ANNUAL GOVERNANCE STATEMENT

- *Review of PKHSCP organisational structure.*
- *Leadership Development Program focused on Collaborative Practice.*
- *IJB Member Development: Refresh of induction and review and refresh of IJB Annual Training and Development Plan.*
- *Annual Development Meetings between Chair and Members.*
- *Development of a statement of our vision and values to be developed to become front and centre of all IJB activities moving forward.*

Stakeholder Engagement

- *Effective Stakeholder Engagement: Review of role of Engagement Group and development of engagement and participation strategy to support localities, providing a process for deciding on the level of engagement required.*
- *Effective Communication with our Public: Development of a co-ordinated approach to communication and marketing supported by dedicated expertise.*
- *Effective Engagement and Co-production at Locality Level: individual locality reports brought forward to the IJB.*
- *Effective engagement with PKC Elected members: embed a Health & Social Care Session into the Perth & Kinross Council rolling program for elected members.*

Vision, Direction & Purpose

- *Development of our next three-year Strategic Commissioning Plan will set a shared vision and clear priorities which will align our collective and collaborative activity.*
- *Measuring our performance: Develop a 'measure what you value rather than value what you measure' approach aligned to the refreshed strategic plan. Redesign of corporate support functions to deliver integrated performance reporting as standard.*
- *How effective are our Programme Boards?: Building on our Programme Boards review of our planning and commissioning structures and leadership arrangements to ensure a strong connection to localities, clear leadership arrangements and supporting capacity made a robust Strategic Planning and Commissioning Board which provides a balanced focus on all priorities and a mechanism for systematic review and monitoring using SMART principles.*
- *How effective is our Strategic Planning Group? A review of role and remit to be carried out*

Decision-Making

- *Development of Effective workforce, OD and E Health & Care Plans.*
- *Corporate Support: Development of new structure under CFO to ensure sufficient capacity.*

SECTION 4: ANNUAL GOVERNANCE STATEMENT

- *Improve the effectiveness of the connection of PKHSCP planning with Parent Body Strategic Planning (Transforming Tayside/Perth and Kinross Offer).*

Internal Controls

- *Support NHST to ensure timely agreement of budgets moving forward.*
- *Reach agreement with NHST on refreshed finance support arrangements for IPMH.*
- *Large Hospital Set-Aside: support NHST to ensure strong mechanism for overseeing progress.*
- *Risk Sharing/Using totality of resources: Agreement of risk sharing arrangements.*
- *Directions: embed the routine issue of Directions as part of normal business process.*
- *Clinical, Care and Professional Governance: Embed a consistent framework for performance review across all services, providing assurance to the new committee of the IJB on the safety and effectiveness of services ensuring streamlining of our arrangements with those of both parent bodies.*

Scrutiny and Accountability

- *A comprehensive improvement plan will be developed that brings together the findings of the Joint Inspection, the findings of the Annual Governance Self-Assessment and as part of that the MSG Review of Integration. In developing our Improvement Plan we will look to the progress and success achieved elsewhere in Scotland through benchmarking activity, the Chief Officer's involvement in the National Chief Officers' Group and the improvement support available from both inspectorates.*

These will be incorporated into the Partnership Improvement Plan and updates on progress will be provided to each meeting of the IJB's Audit & Performance Committee alongside the Strategic Risk Register and mitigating actions.

SECTION 4: ANNUAL GOVERNANCE STATEMENT

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 the internal control environment operating during 2018/19 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.

Robert Peat
IJB Chair

Gordon Paterson
Chief Officer

Date: 27/9/19

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.

2017/18		2018/19
Net Expenditure		Net Expenditure
£000		£000
28,317	Community and Hospital Health Services	28,660
20,970	Hosted Health Services	21,433
28,467	GP Prescribing	27,520
39,678	General Medical/Family Health Services	41,480
11,793	Large Hospital Set-Aside	14,346
236	IJB Operating Costs	241
65,993	Community Care	69,405
195,454	Cost of Services	203,085
(194,068)	Taxation and Non-Specific Grant Income (Note 4)	(205,555)
1,386	(Surplus) or Deficit on Provision of Services	(2,470)
1,386	Total Comprehensive (Income) and Expenditure (Note 3)	(2,470)

SECTION 5: ANNUAL ACCOUNTS

Whilst this statement shows a surplus of £2.470M, this surplus relates to a number of specific spend projects and future commitments. All surplus has been transferred to earmarked IJB reserves for specific projects and commitments (as per Movement in Reserves Statement and Note 6 below).

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

MOVEMENT IN RESERVES STATEMENT

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

Movements in Reserves During 2018/19	General Fund Balance £000
Opening Balance at 31 March 2018	-
Total Comprehensive Income & Expenditure	(2,470)
(Increase) or Decrease in 2018/19	(2,470)
Closing Balance at 31 March 2019	(2,470)

Movements in Reserves During 2017/18	General Fund Balance £000
Opening Balance at 31 March 2017	(1,386)
Total Comprehensive Income & Expenditure	1,386
(Increase) or Decrease in 2017/18	1,386
Closing Balance at 31 March 2018	-

SECTION 5: ANNUAL ACCOUNTS

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 2018 £000		Notes	31 March 2019 £000
-	Short-Term Debtors	5	2,470
-	Current Assets		2,470
-	Short-Term Creditors		-
-	Current Liabilities		-
-	Provisions		-
-	Long-Term Liabilities		-
-	Net Assets		2,470
-	Usable Reserve: General Fund	6	(2,470)
-	Unusable Reserve: Employee Statutory Adjustment Account		-
-	Total Reserves		(2,470)

The unaudited annual accounts were issued on 26 June 2019, and the audited annual accounts were authorised for issue on 27 September 2019.

Jane Smith
Chief Financial Officer

Date: 27/9/19

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 2018/19 financial year and its position at the year-end of 31 March 2019.

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 2018/19, 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 & 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.

SECTION 6: NOTES TO THE FINANCIAL STATEMENTS

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.

A review for contingent assets and liabilities has been undertaken for the IJB and none have been identified at 31 March 2019.

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

SECTION 6: NOTES TO THE FINANCIAL STATEMENTS

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 & 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 CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY

In applying the accounting policies set out above, the Integration Joint Board has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgments made in the Annual Accounts are:

The Integration Scheme sets out the process for determining the value of the resources used in Large Hospitals, to be Set-Aside by NHS Tayside and made available to the IJB. The value of the Large Hospital Set-Aside expenditure reported in 2017/18 was £11.793m. The total expenditure in 2018/19 of £14.346m is based on the most recently available activity levels for hospital inpatient and day case activity as provided by NHS Services Scotland's Information Services Division and direct cost information provided by NHS Tayside. This is a transitional arrangement for 2018/19 agreed locally between NHS Tayside and the three Tayside Integration Joint Boards and with the Scottish Government. Work is progressing at a national and local level to refine the methodology for calculating and planning the value of this in the future.

J 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

SECTION 6: NOTES TO THE FINANCIAL STATEMENTS

Kinross Integration Joint Board, both Perth & 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.

K 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 27 September 2019. 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 2019, 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

2017/18 £000		2018/19 £000
65,993	Services commissioned from Perth & Kinross Council	69,405
129,225	Services commissioned from NHS Tayside	133,439
205	Other IJB Operating Expenditure	210
3	Insurance and Related Expenditure	3
28	External Audit Fee	28
(194,068)	Partner Funding Contributions and Non-Specific Grant Income	(205,555)
1,386	(Surplus) or Deficit on the Provision of Services	(2,470)

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.

SECTION 6: NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: TAXATION AND NON-SPECIFIC GRANT INCOME

2017/18 £000		2018/19 £000
(46,924)	Funding Contribution from Perth & Kinross Council	(51,661)
(147,144)	Funding Contribution from NHS Tayside	(153,894)
(194,068)	Taxation and Non-Specific Grant Income	(205,555)

The funding contribution from NHS Tayside shown above includes £14.346M 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

2017/18 £000		2018/19 £000
-	NHS Tayside	2,470
-	Debtors	2,470

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.*

SECTION 6: NOTES TO THE FINANCIAL STATEMENTS

As at March 2018, the IJB's Annual Accounts showed that Perth & Kinross IJB had no reserves. The following table sets out the earmarked reserve balances as at 31 March 2019 which are required for specific planned future expenditure in future years.

	Balance as at 1 April 2018 £000	Transfers (In)/Out £000	Balance as at 31 March 2019 £000
Primary Care Improvement Fund	0	642	642
Mental Health Action 15 Fund	0	171	171
Primary Care Transformation Fund	0	359	359
Alcohol and Drug Partnership Fund	0	572	572
Partnership Transformation Fund	0	554	554
GP Recruitment Fund	0	118	118
Mental Health Bundle	0	54	54
Closing balance at 31 March 2019	0	2,470	2,470

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.

2017/18 £000		2018/19 £000
21,348	Expenditure on Agency Services	21,432
(21,348)	Reimbursement for Agency Services	(21,432)
-	Net Agency Expenditure excluded from the CIES	-

SECTION 6: NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: RELATED PARTY TRANSACTIONS

The IJB has related party relationships with NHS Tayside and the Perth & 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.

Income - Payments for integrated functions

2017/18 £000		2018/19 £000
46,924	Perth & Kinross Council	51,661
147,144	NHS Tayside	153,894
194,068	Total	205,555

Expenditure - Payments for delivery of integrated functions

2017/18 £000		2018/19 £000
66,010	Perth & Kinross Council	69,541
129,239	NHS Tayside	133,334
205	NHS Tayside: Key Management Personnel Non-Voting Board Members	210
195,454	Total	203,085

This table shows that expenditure within Perth & Kinross Council is £17.880M greater than Perth & Kinross Council funding contributions. This represents IJB funding received from NHS Tayside being directed into Perth & Kinross Council.

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 & 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 & Kinross Council

2017/18 £000		2018/19 £000
-	Debtor balances: Amounts due from Perth and Kinross Council	-
-	Creditor balances: Amounts due to Perth & Kinross Council	-
-	Total	-

SECTION 6: NOTES TO THE FINANCIAL STATEMENTS

Balances with NHS Tayside

2017/18 £000		2018/19 £000
-	Debtor balances: Amounts due from NHS Tayside	2,470
-	Creditor balances: Amounts due to NHS Tayside	-
-	Total	2,470

NOTE 9: 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 HM 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 HM 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 TO THE MEMBERS OF PERTH & KINROSS INTEGRATION JOINT BOARD AND THE ACCOUNTS COMMISSION

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion on Financial Statements

We certify that we have audited the financial statements in the annual accounts of Perth & Kinross Integration Joint Board for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 2018/19 Code).

In our opinion the accompanying financial statements:

- *give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the body as at 31 March 2019 and of its income and expenditure for the year then ended;*
- *have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 Code; and*
- *have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local*

Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for Opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is 3 years. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern Basis of Accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- *the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or*

SECTION 7: INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PERTH & KINROSS INTEGRATION JOINT BOARD AND THE ACCOUNTS COMMISSION

- *the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.*

Risk of Material Misstatement

We have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risk of material misstatement that we identified and our conclusion thereon.

Responsibilities of the Chief Finance Officer and the Integration Joint Board for the Financial Statements

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Integration Joint Board is responsible for overseeing the financial reporting process.

Auditor's Responsibilities for the Audit of the Financial statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risk of material misstatement due to fraud.

SECTION 7: INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PERTH & KINROSS INTEGRATION JOINT BOARD AND THE ACCOUNTS COMMISSION

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other Information in the Annual Accounts

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

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

REPORT ON OTHER REQUIREMENTS

Opinions on Matters Prescribed by the Accounts Commission

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

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

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

Matters on Which We Are Required to Report by Exception

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

- *adequate accounting records have not been kept; or*

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

We have nothing to report in respect of these matters.

Conclusions on Wider Scope Responsibilities

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in our Annual Audit Report.

USE OF OUR REPORT

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

Michael Wilkie (for and on behalf of KPMG LLP)

KPMG LLP
St Vincent Plaza
319 St Vincent Street
Glasgow
G2 5AS

Date: 27/9/19

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 (eg 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.

SECTION 8: GLOSSARY OF TERMS

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, eg 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.

SECTION 8: GLOSSARY OF TERMS

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.



APPENDIX 3

Perth & Kinross Health and Social Care Partnership
3rd Floor
2 High Street
Perth
PH1 5PH

Enquiries to	Jane Smith
Extension/Direct Line:	59557 / 01738 459557
Email	janemsmith@nhs.net
Your Ref	
Our Ref	JMS/PJ
Date	27 September 2019

KPMG LLP
319 St Vincent Street
Glasgow
G2 5AS

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Perth & Kinross Integration Joint Board ("the Board"), for the year ended 31 March 2019, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the state of the Board's affairs as at 31 March 2019 and of the Board's surplus or deficit for the financial year then ended;
- ii. whether the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19; and
- iii. whether the financial statements have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2015, and the Public Bodies (Joint Working) (Scotland) Act 2014.

These financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance sheet and notes, comprising a summary of significant accounting policies and other explanatory notes.

The Board confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Board confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Board has fulfilled its responsibilities, as set out in the terms of the audit engagement dated 31 May 2016, for the preparation of financial statements that:
 - i. give a true and fair view of the state of the Board's affairs as at the end of its financial year and of its surplus or deficit for that financial year;
 - ii. have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRSs"), as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19; and

- iii. have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2015, and the Public Bodies (Joint Working) (Scotland) Act 2014.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Board in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

Information provided

4. The Board has provided you with:

- access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
- additional information that you have requested from the Board for the purpose of the audit; and
- unrestricted access to persons within the Board from whom you determined it necessary to obtain audit evidence.

5. All transactions have been recorded in the accounting records and are reflected in the financial statements.

6. The Board confirms the following:

- i) The Board has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Board has disclosed to you all information in relation to:

- a) Fraud or suspected fraud that it is aware of and that affects the Board and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
- b) allegations of fraud, or suspected fraud, affecting the Board's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Board acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Board acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

7. The Board has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

8. The Board has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
9. The Board has disclosed to you the identity of the Board's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in IAS 24.

10. The Board confirms that:

- a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Board's ability to continue as a going concern as required to provide a true and fair view.
- b) No events or conditions have been identified that may cast significant doubt on the ability of the Board to continue as a going concern.

This letter was agreed at the meeting of the Perth & Kinross Integration Joint Board on 27 September 2019 following scrutiny and approval at the Audit & Performance Committee meeting on 16 September 2019.

Yours faithfully,

Jane Smith
Chief Financial Officer
Perth & Kinross Health & Social Care Partnership

Appendix to the Board Representation Letter of Perth & Kinross Integration Joint Board: Definitions

Financial Statements

IAS 1.10 states that “a complete set of financial statements comprises:

- a statement of financial position as at the end of the period;
- a statement of profit or loss and other comprehensive income for the period;
- a statement of changes in equity for the period;
- a statement of cash flows for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information;
- comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and
- a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 40A-40D.

An entity may use titles for the statements other than those used in this Standard. For example, an entity may use the title ‘statement of comprehensive income’ instead of ‘statement of profit or loss and other comprehensive income’.”

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity’s assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity’s financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to “management” should be read as “management and, where appropriate, those charged with governance”.

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the “reporting entity”).

- a) A person or a close member of that person’s family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled, or jointly controlled by a person identified in (a).
 - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control or joint control of, or significant influence over, the reporting entity; and
- b) another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

