



Council Building
2 High Street
Perth
PH1 5PH

Thursday, 13 September 2018

A meeting of the **Audit and Performance Committee of the Perth and Kinross Integration Joint Board** will be held in **Room 410 (Committee Room), Fourth Floor, Council Building, 2 High Street, Perth, PH1 5PH** on **Thursday, 20 September 2018** at **14:30**.

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

Robert Packham
Chief Officer

Members

Councillor Callum Purves, Perth and Kinross Council (Chair)
Councillor Eric Drysdale, Perth and Kinross Council
Bernie Campbell, Carer Public Partner
Jim Foulis, Associate Nurse Director, NHS Tayside
Robert Peat, Tayside NHS Board

Audit and Performance Committee of the Perth and Kinross Integration Joint Board

Thursday, 20 September 2018

AGENDA

- 1 WELCOME AND APOLOGIES/SUBSTITUTES**
- 2 DECLARATIONS OF INTEREST**
Members are reminded of their obligation to declare any financial or non-financial interest which they may have in any item on this agenda in accordance with the [Perth and Kinross Integration Joint Board Code of Conduct](#).
- 3 MINUTE OF PREVIOUS MEETINGS / MEMBERSHIP AND ROLE OF AUDIT AND PERFORMANCE COMMITTEE**
 - 3.1 MINUTES**
 - 3.1(i) MINUTE OF MEETING OF THE AUDIT AND PERFORMANCE COMMITTEE OF 19 JUNE 2018** **5 - 10**
(copy herewith)
 - 3.1(ii) MINUTE OF SPECIAL MEETING OF THE AUDIT AND PERFORMANCE COMMITTEE OF 18 JULY 2018** **11 - 12**
(copy herewith)
 - 3.2 ACTION POINTS UPDATE** **13 - 14**
Report by Chief Financial Officer (copy herewith G/18/120)
 - 3.3 MATTERS ARISING**
 - 3.4 AUDIT AND PERFORMANCE COMMITTEE MEMBERSHIP UPDATE**
Verbal Update by S Hendry, Committee Services
 - 3.5 ROLE OF AUDIT AND PERFORMANCE COMMITTEE MOVING FORWARD**
Verbal Update by Chief Financial Officer
- 4 GOVERNANCE**
 - 4.1 TRANSFORMING GOVERNANCE ACTION PLAN 2018/19** **15 - 22**
Report by Chief Financial Officer (copy herewith G/18/121)

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6	ANNUAL ACCOUNTS	
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8	FOR INFORMATION / NOTING	
9	PRIVATE DISCUSSION	
10	DATE OF NEXT MEETING / DEVELOPMENT SESSION Tuesday 20 November 2018 - 1.00pm (Development Session)	

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

Minute of Meeting of the Audit and Performance Committee of the Perth and Kinross Integration Joint Board (IJB) held in Room 415, Fourth Floor, Council Building, 2 High Street, Perth on Tuesday 19 June 2018 at 1.30pm.

Present: Councillors C Ahern (Chair) and E Drysdale, Perth and Kinross Council; J Foulis, Associate Nurse Director, NHS Tayside; S Hay, Tayside NHS Board; and B Campbell, Carer Public Partner.

In Attendance: R Peat, Tayside NHS Board; R Packham, Chief Officer; J Smith, Chief Financial Officer; D Fraser, S Strathearn, D Mitchell, S Gourlay and P Jerrard (all Perth and Kinross Health and Social Care Partnership); S Hendry, Democratic Services, Perth and Kinross Council; T Gaskin, Chief Internal Auditor, Perth and Kinross IJB; and J Clark, Chief Internal Auditor, Perth and Kinross Council.

Apology: E Devine, Perth and Kinross Health and Social Care Partnership.

1. WELCOME AND APOLOGIES

Councillor Ahern welcomed all those present to the meeting and an apology was submitted and noted as above.

2. DECLARATIONS OF INTEREST

In terms of the Perth and Kinross Integration Joint Board Code of Conduct, Councillor E Drysdale declared a non-financial interest as Convener of the Perth and Kinross Council Audit Committee.

3. MINUTE OF PREVIOUS MEETING

3.1 MINUTE OF MEETING OF 6 MARCH 2018

The minute of meeting of the Audit and Performance Committee of the Perth and Kinross Integration Joint Board of 6 March 2018 was submitted and approved as a correct record.

3.2 ACTION POINTS UPDATE

The Action Point Update (Report G/18/77) from the meeting of 6 March 2018 was submitted and noted.

3.3 MATTERS ARISING

(i) Governance and Accountability Arrangements Update (Item 4.1 refers)

It was noted that in relation to governance and accountability arrangements, the Chief Officer was continuing to have meetings with senior officers from both Perth and Kinross Council and NHS Tayside with work in progress.

4. GOVERNANCE

4.1 TRANSFORMING GOVERNANCE ACTION PLAN UPDATE

There was submitted a report by the Chief Finance Officer (G/18/78) providing a further update on progress in taking forward the key actions set out in the Transforming Governance Action Plan approved by the Audit & Performance Committee in June 2017.

Resolved:

- (i) The progress made to date in taking forward the Transforming Governance Action Plan, as set out in Appendix 1 of Report G/18/78, be noted.
- (ii) The Chief Officer to provide a further update at the next meeting of the Committee on progress with a training and development plan and performance for IJB members.

5 ASSURANCE: INTERNAL CONTROL AND RISK MANAGEMENT

5.1 AUDIT RECOMMENDATIONS UPDATE

There was submitted a report by the Chief Finance Officer (G/18/79) providing the Committee with progress on the implementation of all internal and external audit recommendations arising since the formal inception of the Integration Joint Board.

Resolved:

- (i) The progress made to date on implementing agreed recommendations, as set out in Report G/18/79, be noted;
- (ii) It be agreed that a Sub-Committee of the Audit and Performance Committee be established to replace the current remit of the Clinical and Care Governance Forum;
- (iii) The Chief Officer be instructed to progress this and report back to the next meeting of the Committee, with a revised terms of reference of the Audit and Performance Committee to be submitted to the next meeting of the IJB.

5.2 STRATEGIC RISK MANAGEMENT REVIEW UPDATE

The Chief Finance Officer provided a verbal update on the Strategic Risk Management Review.

In line with the Transforming Governance Action Plan, a set of risk workshops had been scheduled with one completed at present. Another two dates had been postponed to allow further details to be developed on the proposed programmes of care approach. It was still planned to hold a joint risk workshop for IJB members in September.

The Committee noted the position.

5.3 2017/18 IJB COMPLAINTS REPORT

The Chief Officer reported that complaints could relate to either NHS Tayside, Perth and Kinross Council or the IJB. There had been only one complaint to the IJB so far and the majority of complaints for NHS Tayside related to prisoner healthcare. It was suggested that the monitoring of complaints be overseen by this Committee in future.

The importance of capturing and reporting on compliments as well as complaints was highlighted as well as managing negative comments received via social media. It was agreed that the Chief Officer would raise these issues as part of the development of a communications strategy.

The Committee noted the position.

5.4 NHS TAYSIDE CLINICAL CARE AND PROFESSIONAL GOVERNANCE ANNUAL REPORT

There was submitted and noted the NHS Tayside Report of the Clinical and Care Governance Committee 2017-18 (Report G/18/80).

5.5 CHIEF INTERNAL AUDITOR'S ANNUAL REPORT AND ASSURANCE STATEMENT 2017/18

There was submitted a copy of the Chief Internal Auditor's Annual Internal Audit Report 2017/18 (Report G/18/81) for the Perth and Kinross Integration Joint Board. T Gaskin, Chief Internal Auditor, provided the Board with a summary of the report.

Resolved:

The contents of Report G/18/81, and the Chief Internal Auditor's conclusion that reliance can be placed on the IJB's governance arrangements and systems of internal controls for 2017/18, be noted.

5.6 APPOINTMENT OF INTERNAL AUDITORS 2018/19

There was submitted a report by the Chief Finance Officer (G/18/82) seeking approval for proposed Internal Audit Arrangements for 2018/19.

Resolved:

The appointment of T Gaskin as Chief Internal Auditor, and FTF as the IJB's Internal Auditors for 2018/19, be approved.

6 ANNUAL ACCOUNTS 2017/18

6.1 UNAUDITED ANNUAL ACCOUNTS 2017/18

There was submitted a report by the Chief Finance Officer (G/18/83) presenting the Integration Joint Board's Unaudited Annual Accounts for the financial year 2017/18 in accordance with the Local Authority Accounts (Scotland) Regulations 2014.

Resolved:

The Unaudited Annual Accounts 2017/18, as set out in Report G/18/83, be approved for submission to and consideration by the IJB on 22 June 2018.

6.2 ANNUAL GOVERNANCE STATEMENT

There was submitted a report by the Chief Finance Officer (G/18/84) seeking approval of the Annual Governance Statement for financial year 2017/18 which provides assurance as to the effectiveness of the Integration Joint Board's governance framework and in particular the system of internal control.

Resolved:

- (i) The 2017-2018 Annual Governance Statement, as set out in Appendix 1 of Report G/18/84, be approved;
- (ii) A letter to be issued to the Chairs of both Audit Committees of NHS Tayside and Perth and Kinross Council confirming that adequate and effective governance arrangements were in place throughout Perth and Kinross Integration Joint Board during the year 2017/18.

7 PERFORMANCE REVIEW

7.1 ANNUAL PERFORMANCE REPORT 2017/18

Due to the timescales involved in the publication of the Annual Performance Report 2017/18 by 31 July 2018, it was agreed that the IJB would be asked to agree at its meeting on 22 June 2018 that the Chief Officer circulate the draft report to Board Members for comment and a special meeting of the Audit and Performance Committee to be called to approve the report prior to 31 July 2018. This meeting would either take place physically or virtually depending on members' availability during the recess period.

7.2 PERFORMANCE FRAMEWORK FOR OLDER PEOPLE AND UNSCHEDULED CARE

There was submitted a report by the Chief Finance Officer (G/18/86) seeking to provide the Audit and Performance Committee with a proposed set of indicators that will support the understanding of the Partnership's performance in relation to the Programme of Care: Older People / Unscheduled Care.

Resolved:

- (i) The proposed indicator set, as set out in Report G/18/86, be noted;
- (ii) The development of Programmes of Care, as set out in Report G/18/86, be noted;
- (iii) It be noted that the setting of targets and monitoring will be the responsibility of the Older People / Unscheduled Care Programme Board;

- (iv) It be noted that the format of reporting to the Audit and Performance Committee will move to a qualitative and quantitative approach;
- (v) Six monthly reports on performance will be submitted to the Audit and Performance Committee moving forward.

8 FOR INFORMATION / NOTING

(i) Inspections

J Foulis reported that a recent inspection had taken place in HMP Perth on care needs with a formal report expected in September 2018.

A further recent unannounced inspection on older people had taken place at Perth Royal Infirmary.

The Committee noted the position.

9 PRIVATE DISCUSSION

There was no private discussion between members of the Committee and the Chief Internal Auditor.

10 DATE OF NEXT MEETING

Tuesday 18 September 2018 at 1.00pm

11 VALEDICTORY

It was noted that this was Councillor Chris Ahern's last meeting as both Chair and a member of the Committee. S Hay and other members thanked Councillor Ahern for his contribution and commitment to the work of the Committee since his appointment.

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

Minute of Special Meeting of the Audit and Performance Committee of the Perth and Kinross Integration Joint Board (IJB) held in Room 415, Fourth Floor, Council Building, 2 High Street, Perth on Wednesday 18 July 2018 at 10.00am.

Present: Councillors C Ahern (Chair) and E Drysdale, Perth and Kinross Council; R Peat and S Hay, both Tayside NHS Board.

In Attendance: R Packham, Chief Officer; D Fraser, S Strathearn, M Raplay, W Clayton and P Jerrard (all Perth and Kinross Health and Social Care Partnership); A Taylor, Democratic Services, Perth and Kinross Council.

Apologies: J Smith, Chief Financial Officer; J Foulis, Associate Nurse Director, NHS Tayside; and B Campbell, Carer Public Partner.

1. WELCOME AND APOLOGIES

Councillor Ahern welcomed all those present to the meeting and apologies were submitted and noted as above.

2. DECLARATIONS OF INTEREST

There were no Declarations of Interest made in terms of the Perth and Kinross Integration Joint Board Code of Conduct.

3. ANNUAL PERFORMANCE REPORT 2017/18

There was submitted a report by the Officer (G/18/107) presenting the Annual Performance Report for the Partnership for the year 2017/18 which sets out the performance against the national health and wellbeing outcomes as well as the progress made towards the achievement of the Partnership's ambitions as outlined within the Strategic Commissioning Plan 2016-2019.

D Fraser advised the Committee of a small error on Page 6 of the Annual Performance Report, bullet point 4 should read '*new Care at Home contract*'.

Resolved:

- (i) The Annual Performance Report 2017/18 as set out in Appendix 1 of Report G/18/107 be approved.
- (ii) The progress made towards achieving the aims outlined within the Strategic Commissioning Plan 2016-2019 be noted.
- (iii) It be noted that the Annual Performance Report will be promoted and communicated through partnership websites, social media and Locality Steering Groups.

Action Points Update 19 June 2018
Perth & Kinross IJB – Audit and Performance Committee

Report No. G/18/120

Ref.	Min. Ref.	Meeting	Action	Responsibility	Timescale	Update/Comments
27	4.1	06/03/18	Governance & Accountability Arrangements – Chief Officer to bring a paper to IJB setting out in detail the governance arrangements. The Audit & Performance Committee agreed for the report to come back in September 2018.	RP / JMS	November 2018	We are working with PKC and NHST colleagues to develop a detailed corporate governance framework which supports relationships with out partners. A Risk and Governance training event will be held in November 2018 for IJB members.
29	4.1	19/06/18	Transforming Governance Action Plan Update – The Chief Officer to provide a further update at the next meeting on progress with a training and development plan and performance for IJB members.	RP	September 2018	
30	5.1	19/06/18	Audit Recommendations Update – A sub-committee of the Audit & Performance Committee to be established to replace the current remit of the Care & Professional Governance Forum. The Chief Officer to progress this.	RP	November 2018	
31	6.2	19/06/18	Annual Governance Statement – A letter to be issued to the Chairs of both Audit Committees of NHS Tayside and Perth and Kinross Council confirming that adequate and effective governance arrangements were in place throughout Perth and Kinross Integration Joint Board during the year 2017/18.	RP	September 2018	Complete



AUDIT & PERFORMANCE COMMITTEE

20 September 2018

TRANSFORMING GOVERNANCE ACTION PLAN - 2018/19

Report by Chief Financial Officer (Report No. G/18/121)

PURPOSE OF REPORT

The purpose of the report is to update the Audit & Performance Committee on the progress of the Transforming Governance Action Plan 2018/19.

1. INTRODUCTION

- 1.1 The purpose of the Annual Governance Statement (AGS), which was presented to the Audit & Performance Committee on 19 June 2018, was to give assurance to our stakeholders that we have effective arrangements in place to ensure that, as an IJB we are doing the right things for the right people at the right time in an open, honest and accountable way. The AGS was approved by the Audit & Performance Committee on 19th June 2018 with a request that an update on the Transforming Governance Action Plan be presented to the Audit & Performance Committee at the next Committee Meeting on 20th September 2018. The Action Plan sets out all the agreed priorities for the further development of effective governance arrangements.

2. GOVERNANCE ASSURANCE PROCESS

- 2.1 The process for reviewing the integrity and effectiveness of our governance arrangements to inform the AGS continues to be led by the IJB Chief Financial Officer. The assurance process seeks to demonstrate that the IJB has in place adequate internal controls that are considered fit for purpose in accordance with best practice.
- 2.2 The governance & assurance process continues to identify areas and controls that would benefit from further development to ensure that they can manage and mitigate current and emerging risks more effectively. The key priorities are set out in the Transforming Governance Action Plan.
- 2.3 Progress since first reporting on those required developments on 19th June 2018 is set out in **Appendix 1**.

- 2.4 A number of further actions have been added since the Audit and Performance Committee meeting on 19th June 2018. This reflects a final comprehensive review of outstanding actions in 17/18.

3. RECOMMENDATION

- 3.1 It is recommended that the Audit & Performance Committee:

- (i) Note the progress of the Transforming Governance Action Plan 2018/19.
- (ii) Remit the Chief Financial Officer to present a further update to the next meeting of the Audit and Performance Committee on further progress of the Transforming Governance Action Plan.

Author(s)

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

APPENDICES

1. Transforming Governance Action Plan 2018/19

Perth & Kinross IJB

Transforming Governance Action Plan 2018/19

Ref	Action	SRO	Date	Revised Deadline	Update
1	Development of a statement of our vision and values to be developed to become front and centre of all IJB activities moving forward.	Chair/ CO	31 st July 2018	30 th November 2018	The Chief Officer (CO) has developed a draft Mission Statement for initial consideration by the Chair and Vice Chair of the IJB on 5 th September 2018. Thereafter it is anticipated that it will be brought forward to the IJB for official consideration on 30 th November 2018.
2	A refreshed annual programme of training and development for IJB Board Members to be agreed.	Chair/ CO	30 th June 2018	28 th September 2018	A meeting is taking place on 5 th September 2018 to develop the annual forward plan for IJB members which, as well as formal IJB meetings and A&P Committee meetings, will include a number of planned development events and visits to support the training and development of our members. This will come forward to the IJB on 28 th September 2018 for consideration.
3	An effective strategy for engaging with Perth & Kinross Council Elected members around IJB aims and objectives and the financial outlook to be developed.	Chair/ CO	30 th June 2018	30 th September 2018	The CO has had a number of informal discussions with senior colleagues in Perth & Kinross Council (PKC) around the budget setting process for 2019/20. In addition the CO has formally written to the new Chief Executive (CE) of PKC with a request to meet at the earliest possible stage to consider next steps.
4	Establishment a collaborative approach to budget negotiation for 2019/20 onwards with NHS Tayside and Perth & Kinross Council.	CO/ CFO	30 th June 2018	30 th September 2018	In follow up to a meeting with Executive Director colleagues of PKC and NHST in April 2018 a number of further informal discussions around the budget negotiation process for 2019/20 have taken place. A further joint meeting is being

Perth & Kinross IJB

Transforming Governance Action Plan 2018/19

Ref	Action	SRO	Date	Revised Deadline	Update
					arranged for the end of September 2018.
5	Further development of Strategic Delivery Plans for each Care Group including leadership arrangements, performance framework, strategy for engagement with users and carers, agreed programme budget with accountability for delivery of financially sustainable services. Role of Strategic Planning Group to be reaffirmed.	EMT	30 th June 2018	<i>Draft Strategic Planning Framework:</i> 30 th September 2018 <i>Strategic Delivery Plans:</i> 30 th September 2018 <i>Role and Remit of Strategic planning Group refresh:</i> 31 st October 2018	A draft Strategic Planning Framework for Programmes of Care has been agreed in principle by the Executive Management Team. A key next step will be the development of a strategic delivery plan for each programme and an aligned 3 year financial plan. Clear guidance has been provided by the CO in relation to budget holder responsibility and how this fits with the strategic planning framework. The Corporate Performance Leads have met to ensure a consistent and proactive approach to the development of performance frameworks to support each strategic delivery plan. The strategic planning group met on 27 th August 2018 and has agreed to a review of the role and remit which will be considered at its next meeting on 3 rd October 2018.
6	Finalise the review of risk management and development clear escalation and reporting mechanisms.	CFO	30 th September 2018	30 th November 2018	Risk Management Workshop held on 15 th August 2018 which started the process of strategic risk identification, agreed an escalation process and a refresh of the risk management framework. This will be followed up with 4 further risk workshops between now and end of October 2018. Progress update paper going to A&P on 20 th September

Perth & Kinross IJB

Transforming Governance Action Plan 2018/19

Ref	Action	SRO	Date	Revised Deadline	Update
					2018. A planned risk management training event will be held in November 2018 for IJB members. A senior manager has been identified to lead on risk management across the Partnership.
7	Review of the use of Directions	CFO	30 th September 2018	-	A meeting has been arranged by the CO for 5 th September 2018 with the IJB's Legal Advisor to consider the need for any retrospective issue of directions and to consider how directions can be used most effectively moving forward.
8	Development of Large Hospitals Set Aside arrangements in conjunction with NHS Tayside.	CD/ HOH	30 th September 2018	30 th November 2018	NHST have made a commitment formally to the IJB's in Tayside to the set up of a formal forum to consider how best to implement Scottish Government legislation on large hospital set aside in the absence of detailed guidance. This meeting has yet to be arranged. The Chair of the Older People Unscheduled Care (OPUSC) Strategic Programme Board will be tasked with taking this forward.
9	Strengthen leadership and corporate support capacity through key appointments including Head of Business Planning and Performance.	CFO	30 th July 2018	Complete	A Service Manager (Business Planning and Performance) was appointed on 6 th August 2018. In addition a senior manager has been appointed within the Partnership to specifically support the forthcoming Joint Inspection of Adult Services and Governance and Risk Management.
10	Agree appointment of Data Protection Officer for Perth & Kinross IJB and ensure	CFO	31 st May 2018	30 th November	The Information & Security Manager for PKC has agreed to take on the role of Data Protection

Perth & Kinross IJB

Transforming Governance Action Plan 2018/19

Ref	Action	SRO	Date	Revised Deadline	Update
	compliance with General Data Protection Regulations.			2018	Officer for P&K IJB. An action plan will be developed and reported to the IJB A&P Committee.
11	Work with the Director of Finance of NHS Tayside to develop an appropriate and effective level of finance support to budget holders tasked with taking forward significant redesign of services.	CFO	30 th September 2018	-	The Chief Financial Officers (CFOs) in Tayside met with the NHST Strategic Director of Finance on 25th July 2018. Agreement was reached to the fundamental redesign of the Team supporting the IJBs, including significantly increasing capacity. A further meeting to consider redesign options is due to take place on 4 th September 2018. Although very positive progress has been made that should ensure that current issues are resolved in the medium term, there remains a significant risk to the Partnership.
12	Work with PKC and NHST colleagues to develop the detailed corporate governance framework that supports the relationship with PKC and NHST and provide training and development for members and officers to ensure that roles, responsibilities within the framework are understood. Ensure that Standing Orders are reviewed and updated annually.	CFO	30 th November 2018	-	A planned Risk and Governance training event will be held in November 2018 for IJB members. In parallel, a formal detailed framework will be brought to the IJB for formal consideration.
13	Review HSCP Clinical, Care and Professional Governance Approach and set out clear framework for scrutiny and assurance at operation and	CD/Chief Social Worker	31 st August 2018	31 st December 2018	A number of workshops have been held with further sessions planned aimed at defining a performance review and assurance process. A review of management

Perth & Kinross IJB

Transforming Governance Action Plan 2018/19

Ref	Action	SRO	Date	Revised Deadline	Update
	strategic level. Ensure that the Terms of Reference for the Audit & Performance Committee reflects its key scrutiny role.				capacity is being undertaken to ensure effective leadership around the development, implementation and ongoing performance review process. A session has been set up at the end of September of with IJB Chair/Vice Chair/Chair of Audit & Performance Committee and the Chief Internal Auditor to refresh the Terms of Reference for the Audit & Performance Committee around all aspects of performance. Further a development event on CCG for members has been requested.
14	Ensure that annual objectives are set for each member of the partnership team that align with agreed strategic transformation and other priorities.	CO	30 th November 2018	-	Objectives to be set for all EMT and IMT members be end of November 2018 and aligned to the key deliverables of the 4 Care Strategic Programme Boards.
15	Working with other IJB's, ensure mechanisms are in place to ensure that each IJB is effectively and appropriately involved in developing major transformational change plans and ensure regular sharing of information in relation to all hosted services.	EMT	30 th November 2018	-	An agreed format for evaluating the effectiveness and outcomes of all Hosted Services transformation and redesign plans to be agreed.



AUDIT & PERFORMANCE COMMITTEE

20 September 2018

ASSURANCES RECEIVED FROM PARTNERS

Report by Chief Financial Officer (Report No. G/18/122)

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 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 2017/18 to NHS Tayside and Perth and Kinross Council;
- (ii) Note the position re confirmation of receipt of the assurance from Perth and Kinross Council;
- (iii) Note the status of governance arrangements within NHS Tayside;
- (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 2017/18 Governance Statement at its June 2018 meeting (paper G/18/84).

Paper G/18/84 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 2018.

Paper G/18/84 also noted the reliance Perth and Kinross IJB places on the governance arrangements within NHS Tayside and Perth and Kinross Council and that assurance would be sought from both partners regarding their internal controls and their adequacy and effectiveness prior to the September 2018 Audit and Performance Committee.

- 2.2 Since the last Audit & Performance Committee, Perth and Kinross Council's Scrutiny and Audit Committee has met and after reviewing the Council's Annual Internal Audit Report and draft Governance Statement, have now issued a letter to Perth and Kinross IJB confirming the status of Perth and Kinross Council governance arrangements for 2017/18 and the reliance Perth and Kinross IJB can place on these. This letter is attached at Appendix 1.
- 2.3 As was noted in the IJB's Governance Statement for 2017/18, there have been ongoing governance issues within NHS Tayside during 2017/18. These were summarised in a report to NHS Tayside's Audit Committee in late June 2018. See report 42/2018 to NHS Tayside's Audit Committee in June 2018 (agenda item 12.3):

[https://www.nhstaysidecdn.scot.nhs.uk/NHSTaysideWeb/idcplg?IdcService=G
ET_SECURE_FILE&dDocName=PROD_302165&Rendition=web&RevisionS
electionMethod=LatestReleased&noSaveAs=1](https://www.nhstaysidecdn.scot.nhs.uk/NHSTaysideWeb/idcplg?IdcService=G
ET_SECURE_FILE&dDocName=PROD_302165&Rendition=web&RevisionS
electionMethod=LatestReleased&noSaveAs=1)

The above report notes that the NHS Tayside Chief Executive states within the Governance Statement that he is "...not able to conclude that, taking into account the governance framework and the assurances and evidence received from the Board's committees, that corporate governance was operating effectively throughout the financial year ended 31 March 2018". The NHS Tayside Governance Statement also reflects that the Chief Executive has "instigated action to address in full the recommendations that have been highlighted by the Assurance and Advisory Group and Grant Thornton reports issued during the year. The Chair has also commissioned an independent risk assessment of Board Governance and an independent review of the effectiveness of internal audit. These reviews will highlight further opportunities to improve the control environment within NHS Tayside."

While the above does not provide the assurance that Perth and Kinross IJB would routinely expect from one of its Partners, the governance challenges within NHS Tayside have been well documented elsewhere (including the papers referred to in this report) and a range of actions are now underway to address these challenges. This issue was referred to in Perth and Kinross IJB's Governance Statement for 2017/18 and if there are any specific issues that arise that more directly affect Perth and Kinross IJB then these would be highlighted to the IJB in due course.

More detail on the above is set out in NHS Tayside full Governance Statement from NHS Tayside's June 2018 Audit Committee – agenda item 9.3 (see the same e-mail link as per above) and in NHS Tayside's Annual Internal Audit Report (2017/18) also from NHS Tayside's June 2018 Audit Committee – agenda item 8.1 (again, see same e-mail link as per above).

3. CONCLUSIONS

The IJB's Audit and Performance Committee should note the receipt of assurance confirmation from Perth and Kinross Council. The Committee should note the status of governance arrangements within NHS Tayside. The ongoing concerns have been previously documented in the IJB's 2017/18 Governance Statement.

APPENDICES

Appendix 1 – Letter of Assurance 2017/18 Perth & Kinross Council

Author(s)

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

ED/SR

7 September 2018

Mr Stephen Hay
Chair – Integration Joint Board
Perth & Kinross Council
2 High Street
Perth
PH1 5PH

2 High Street
Perth
PH1 5PH
Tel: 01738 475000

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



Dear Mr Hay

ASSURANCES PROVIDED BY PERTH & KINROSS COUNCIL

At the meeting of Perth & Kinross Council Scrutiny Committee on 13 June 2018 the Annual Governance Statement (AGS) for 2017/18 was approved for inclusion in the 2017/18 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 2017/18 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 2017/18 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 2018 they conclude that the AGS is "appropriate for the Council", the Council has "continued high standards of governance and accountability" and "has an effective governance framework".

The audit of the 2017/18 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 26 September 2018.

I trust that this is helpful to your Audit Committee.

Yours sincerely



Councillor Eric Drysdale
Chair - Perth & Kinross Council Audit Committee
Ward 12 Perth City Centre



AUDIT AND PERFORMANCE COMMITTEE

20 September 2018

RISK MANAGEMENT PROGRESS UPDATE

Report by Chief Financial Officer (Report No. G/18/123)

PURPOSE OF REPORT

The purpose of this paper is to update the Audit and Performance Committee on risk management and to note and agree the next steps in respect of finalising Health and Social Care Partnership (HSCP) Risk Profile.

1. BACKGROUND

On 6 March 2018 a report by the Chief Finance Officer was presented at the Audit and Performance Committee (G/18/28) in respect of Risk Management. This report set out a proposal to undertake a risk workshop with expert facilitation to ensure a full and clear understanding for officers and IJB members of the model of governance and implications for risk management:

- Back to basics review of strategic risks across directly delivered and hosted services.
- Process/arrangements for escalating operational risks which require strategic oversight due to potential impact on IJB objectives.
- Review reporting arrangements and line of accountability.

2. PROGRESS TO DATE

An initial risk management session was held in April 2018 with members of Perth & Kinross Health & Social Care Partnership's Executive Management Team / Integrated Management Team (EMT/IMT) which set out the context of risk management within the HSCP and challenged the existing set of strategic risks previously identified. This session identified the need for a further series of risk management workshops to complete the strategic risk profile for the HSCP.

A further risk workshop was held on 15 August 2018 with good progress made in achieving identification of strategic risks. However, further workshop sessions are required to complete.

A risk escalation process was also discussed and agreed at the 15 August 2018 workshop that would give clarity around risk escalation and ensure timely responses to allow risk mitigation. It was agreed that this should now be presented to EMT for consideration.

It was also agreed at the workshop that the Situation, Background, Assessment and Recommendation Template (SBAR) should only be used for the escalation of risk only.

As a result of the risk workshops it has been necessary to refresh the Risk Management Framework / Process and this will be presented to Audit and Performance Committee once finalised.

3. NEXT STEPS

A further four workshops will be held between now and October 2018 which will result in a complete set of Strategic Risks for HSCP.

A session on risk management to be held with the IJB in November 2018.

The risk management escalation process to be agreed by EMT 6 September 2018.

Risk Management Framework / Process refreshed and agreed by IMT/EMT September 2018.

4. CONCLUSION

This report sets out the progress and concluding next steps for the completion of the HSCP Strategic Risk Profile, refresh of the Risk Management Framework / Process and risk escalation process.

5. RECOMMENDATION(S)

The Audit and Performance Committee are asked to:

- (i) Note the progress made in respect of Risk Management including the further 4 risk management sessions and the session with IJB all to be held between now and end of October 2018 (Appendix 1);
- (ii) Approve the refreshed Risk Management Framework / Process and risk escalation process at the next Audit and Performance Committee meeting;
- (iii) Remit the Chief Finance Officer to present the Strategic Risk Profile to the Audit and Performance Committee at it's next meeting.

Author(s)

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

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

Appendix 1

Risk Management Workshops**Details of the Proposed Risk Management Workshops.**

Date	Time	Location
Friday 28 September 2018	2.00-4.00pm	MR346, 2 High Street, Perth
Tuesday 9 October 2018	3.00 – 5.00pm	MR415, 2 High Street, Perth
Wednesday 31 October 2018	1.00 – 3.00pm	MR415, 2 High Street, Perth
Monday 5 November 2018	2.00 – 5.00pm	Civic Lounge, 2 High Street, Perth

Session with IJB in respect of risk management and governance training to be determined November 2018.



AUDIT AND PERFORMANCE COMMITTEE
20 September 2018

Internal Audit Progress Report
Report by Chief Internal Auditor (Report No. G/18/124)

Purpose of report

The aim of this paper is to brief the Committee on progress of the internal audit plan

Recommendation

The Committee is asked to note updates to the 2017/18 Internal Audit Plan as well as commencement of delivery of the 2018/19 plan as outlined below.

Report Detail

2017/18								
	Audit	Indicative Scope	Target Committee	Planning commenced	Work in progress	Draft Issued	Completed	Grade
PK01-18	Audit Planning	Agreeing audit universe and preparation of strategic plan	Aug-17	✓	✓	✓	✓	N/A
PK02-18	Audit Management	Liaison with managers and Directors and attendance at Audit & Performance Committee	Ongoing	Complete				N/A
PK03-18	Annual Internal Audit Report	CIA's annual assurance statement to the IJB and review of governance self-assessment	Jun-18	✓	✓	✓	✓	N/A
PK04-18	Risk Management	Review of systems of risk management, assessment of risk maturity and consideration of assurance mechanisms for key controls	Dec-17	✓	✓	Delayed at the request of P&K IJB to allow input into planned Risk Management Developments. To be carried forward into 2018/19.		

PK05-18	Strategic Planning	Review of production and update of the Strategic Plan, development of local delivery plans including stakeholder engagement and partnership working.	Mar-18	✓	Agreed to combine these reviews and postpone work following successful recruitment to a relevant strategic lead post. To be carried forward into 2018/19.
PK06-18	Corporate Support & Capacity Review	The scope of this audit is to review the proposed process for updating support arrangements and to ensure that any attendant risks are fully reflected within the IJB Risk register as necessary. A more detailed scope which may include aspects such as organisational and management structures, including for hosted services, will be discussed in detail and agreed with management.	Sep-17	✓	

2018/19								
PK01-19	Audit Planning	Agreeing audit universe and preparation of strategic plan	Sep-18	✓	✓	✓	✓	N/A
PK02-19	Audit Management	Liaison with managers and Directors and attendance at Audit & Performance Committee	Ongoing	ongoing				
PK03-19	Annual Internal Audit Report	CIA's annual assurance statement to the IJB, review of governance self-assessment and follow-up of previous Internal Audit recommendations	Jun-18	✓	✓	✓	✓	N/A
PK04-19	PK07-17 follow-up	Follow-up of Internal Audit Report PK07-17 which highlighted a number of areas relating to Clinical and Care Governance, including those in relation to hosted services, to ensure actions have been implemented and to take into account events subsequent to the issue of that report.	Feb-19					
PK05-19	Performance management	Accurate, relevant and reliable reporting against strategic plan objectives and core integration indicators. Compliance with DL 2016 (05) - Guidance for Health and Social Care Integration Partnership Performance Reports	Feb-19					

PK06-19	Governance & Assurance	Ongoing support and advice on further development of governance and assurance structures, including issues identified as part of the annual report process and operation of the Audit & Performance Committee	Ongoing					
PK07-19	Information Governance	Extension of testing within parent bodies' IA plans to ensure assurance systems adequately cover IJB Information Governance and GDPR.	Feb-19					

Author(s)

Name	Designation	Contact Details
A Gaskin BSc ACA	Chief Internal Auditor	tony.gaskin@nhs.net



AUDIT & PERFORMANCE COMMITTEE

20 September 2018

INTERNAL AUDIT PLAN 2018/19

Report by Chief Internal Auditor (Report No. G/18/125)

PURPOSE OF REPORT

The purpose of this paper is to seek approval of the Annual Internal Audit Plan for Perth & Kinross Integrated Joint Board (IJB) for 2018/19.

1. BACKGROUND

As stated in the Scottish Government's Integrated Resources Advisory Group (IRAG) guidance, it is the responsibility of the IJB to establish adequate and proportionate internal audit arrangements for review of the adequacy of the arrangements for risk management, governance and control of the delegated resources. Fife, Tayside and Forth Valley Audit and Management Services (FTF) were appointed as the IJB's Internal Audit Service in September 2017.

Resources to deliver the plan will be provided by the NHS Tayside and Perth & Kinross Council Internal Audit services. A total of 40 days have been included in the 2018/19 Internal Audit Plans of the parties.

As in 2017/18 and in line with Public Sector Internal Audit Standards, the discretionary elements of this year's plan were centred on the Perth & Kinross IJB's Strategic Risk Register (noting that the Risk Register is currently under review), with individual topics also informed by the professional views of the IJB Chief Officer and Chief Financial Officer and the Chief Internal Auditors of both parties.

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

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

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

The draft operational plan for 2018/19 has been designed to target the priority issues identified by our assessment of risk. The plan includes the delivery of standard products required each year, and is further based on professional judgement of the IJB risk environment. We therefore assessed audit need based on the IJB's own strategic risks as well as areas for improvement noted in the Governance Statement, our findings from our 2017/18 Annual Internal Audit Report and benchmarking with other IJBs. We have also discussed the proposed plan with the Chief Officer and Chief Financial Officer to ensure the substantive audit assignments add value.

The proposed plan is set out below:

Ref	Audit	Indicative Scope	Days	Target Committee
PK01-19	Audit Planning	Agreeing audit universe and preparation of strategic plan	2	September 2018
PK02-19	Audit Management	Liaison with managers and Directors and attendance at Audit and Performance Committee	4	Ongoing
PK03-19	Annual Internal Audit Report	CIA's annual assurance statement to the IJB, review of governance self-assessment and follow-up of previous Internal Audit recommendations	7	June 2018
PK04-19	PK07-17 follow-up	Follow-up of Internal Audit Report PK07-17 which highlighted a number of areas relating to Clinical and Care Governance, including those in relation to hosted services, to ensure actions have been implemented and to take into account events subsequent to the issue of that report.	4	February 2019
PK05-19	Performance management	Accurate, relevant and reliable reporting against strategic plan objectives and core integration indicators. Compliance with DL 2016 (05) - Guidance for Health and Social Care Integration Partnership Performance Reports	15	February 2019

PK06-19	Governance & Assurance	Ongoing support and advice on further development of governance and assurance structures, including issues identified as part of the annual report process and operation of the Audit & Performance Committee	5	Ongoing
PK07-19	Information Governance	Extension of testing within parent bodies' IA plans to ensure assurance systems adequately cover IJB Information Governance and GDPR.	3	February 2019

Work to deliver the internal audit plan is undertaken under the supervision of the Chief Internal Auditor. An Internal Audit Joint Working Protocol has been agreed by the Internal Auditors of both parties as has a Protocol for sharing Internal Audit Outputs.

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

2. RECOMMENDATION

The IJB is asked to:

- (i) Approve the 2018/19 annual plan.

3. CONSULTATION

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

Author(s)

Name	Designation	Contact Details
A Gaskin BSc ACA	Chief Internal Auditor	tony.gaskin@nhs.net

APPENDIX

	Risk Title / Description	Owner Manager	Framework / Strategy / Output Required	Inherent Risk Exposure	Current Risk Level	Clinical, Care & Prof. Governance Domain(s)	Internal Audit coverage 2018-19
				L = Likelihood C = Consequence			
1	CORPORATE GOVERNANCE The inability to establish efficient and effective structures and arrangements required for the partnership will lead to a risk of the partnership being unable to function effectively	R Packham J Smith	Corporate Governance Arrangements and Self- Assessment Framework Organisational Structure Risk Register and management arrangements Audit and Performance Committee role and remit Hosted Services framework for service delivery System for performance appraisal Performance Management framework	L= 5 C= 5 <u>25</u>	L= 3 C= 4 <u>12</u>	ALL	Included? Yes <u>Rationale</u> Risk management originally included within 2017/18 Internal Audit plan with systems of risk management currently under review. Performance Management is a key aspect of the IJB's operations and is now at a stage of development where Internal Audit Input would be appropriate. Capacity to provide ad hoc advice on systems of governance, audit and Performance committee terms of reference etc

APPENDIX

	Risk Title / Description	Owner Manager	Framework / Strategy / Output Required	Inherent Risk Exposure	Current Risk Level	Clinical, Care & Prof. Governance Domain(s)	Internal Audit coverage 2018-19
				L = Likelihood C = Consequence			
2	CLINICAL, CARE & PROFESSIONAL GOVERNANCE The inability to deliver locality structures underpinned by robust standards and professional codes of practice results in a risk of failure to deliver reliable, safe and effective health and social care in all settings, resulting in harm or deterioration to service users	R Packham E Devine V Johnson	Performance Management framework Organisational Development framework Clinical, Care & Professional Governance Framework Risk Management Strategy Adverse Event Management Complaints Management Adult Support & Protection Framework Care & Professional Governance Forum terms of Reference	L= 5 C= 5 25	L= 3 C= 4 12	ALL	Included? As follow-up Rationale Internal Audit Report PK07-17 highlighted a number of areas relating to Clinical and Care Governance, including those in relation to hosted services, which will be followed up this year to ensure actions have been implemented and to take into account events subsequent to the issue of that report.

APPENDIX

	Risk Title / Description	Owner Manager	Framework / Strategy / Output Required	Inherent Risk Exposure	Current Risk Level	Clinical, Care & Prof. Governance Domain(s)	Internal Audit coverage 2018-19
				L = Likelihood C = Consequence			
3	STRATEGIC PLAN There is a risk that a failure to implement the aims and priorities in the strategic plan will lead to failure to meet the needs and challenges of our communities, reputational damage and unsustainable future services.	R Packham L Cameron	Strategic Plan Large Hospital Services Plan Joint Transformation Programme	L= 4 C= 5 <u>20</u>	L= 3 C= 5 <u>15</u>	ALL	Included? No <u>Rationale</u> Included within the 2017/18 Internal Audit Plan
4	EFFECTIVE FINANCIAL MANAGEMENT Failure to develop and implement a balanced financial plan will lead to a risk of unsustainable services and create a barrier to the necessary transformations.	R Packham J Smith	Financial Plan Joint Transformation Programme Performance Management framework 3 Year Financial Strategy	L= 5 C= 5 <u>25</u>	L= 4 C= 4 <u>16</u>	ALL	Included? No <u>Rationale</u> Last year before full risk sharing agreement. To be considered for 2019/20 plan.

APPENDIX

	Risk Title / Description	Owner Manager	Framework / Strategy / Output Required	Inherent Risk Exposure	Current Risk Level	Clinical, Care & Prof. Governance Domain(s)	Internal Audit coverage 2018-19
				L = Likelihood C = Consequence			
5	STAKEHOLDER ENGAGEMENT AND PARTNERSHIP WORKING There is a risk of failure to engage effectively and timeously regarding key service developments which will lead to a risk of reputational damage and unnecessary delay.	R Packham TBC	Organisational Development framework Hosted Services framework for service delivery Community Engagement & Participation Framework Communications Framework	L= 5 C= 5 <u>25</u>	L= 3 C= 2 <u>6</u>	ALL	Included? No <u>Rationale</u> Aspects of Stakeholder Engagement included within the 2017/18 PKC IJB Internal Audit Plan as part of the review of Strategic Planning.
6	HEALTH EQUITY There is a risk that a failure to prioritise health equity issues in all decision making will result in an inability to reduce the health equity gap	R Packham L Cameron	Public Health Framework	L= 4 C= 5 <u>20</u>	L= 3 C= 5 <u>15</u>	Promotion of equality & social justice	Included? No <u>Rationale</u> Aspects of Health Equity included within the 2017/18 PKC IJB Internal Audit Plan as part of the review of Strategic Planning.

APPENDIX

	Risk Title / Description	Owner Manager	Framework / Strategy / Output Required	Inherent Risk Exposure	Current Risk Level	Clinical, Care & Prof. Governance Domain(s)	Internal Audit coverage 2018-19
				L = Likelihood C = Consequence			
7	INFORMATION GOVERNANCE & SHARING Inability to efficiently and effectively share information at patient level with partners will lead to a risk of harm, duplication and inefficiencies.	R Packham D Fraser	Information Sharing Protocol	L= 5 C= 5 <u>25</u>	L= 3 C= 5 <u>15</u>	Information Governance	Included? Yes <u>Rationale</u> Information governance Records management and FOI are important areas albeit given that most information is held by the parties, reliance will need to be placed on their information governance systems. Whilst GDPR is included within both parties' Internal Audit Plans, some work will be required to ensure that appropriate processes are in place within the IJB and that appropriate assurances are received from the parent bodies.

APPENDIX

	Risk Title / Description	Owner Manager	Framework / Strategy / Output Required	Inherent Risk Exposure	Current Risk Level	Clinical, Care & Prof. Governance Domain(s)	Internal Audit coverage 2018-19
				L = Likelihood C = Consequence			
8	WORKFORCE DEVELOPMENT & STAFF GOVERNANCE Inability to develop and sustain our workforce creates a risk of unsustainable services	R Packham J Foulis	Organisational Development framework Hosted Services framework for service delivery Workforce Strategy	L= 5 C= 5 <u>25</u>	L= 4 C= 4 <u>16</u>	Professional Regulation and Workforce Development	Included? No <u>Rationale</u> Workforce planning and monitoring was included within the 2017/18 NHS Tayside Internal Audit plan and is included within the 2018/19 PKC Internal Audit Plan.
9	CAPACITY AND FLOW Inability to adapt and improve existing models of care and patient flow will lead to a risk that patients are not being cared for at the right place at the right time, by the right person	R Packham E Devine D Fraser	Delayed Discharge Action Plan P&K RIE Improvement Plan Joint Transformation Programme	L= 5 C= 5 <u>25</u>	L= 4 C= 4 <u>16</u>	Patient, service user/ carer & staff Experience Patient, Service user Carer and Staff Safety	Included? No <u>Rationale</u> Delayed Discharge action plan reviewed in Audit PK06/17.

APPENDIX

	Risk Title / Description	Owner Manager	Framework / Strategy / Output Required	Inherent Risk Exposure	Current Risk Level	Clinical, Care & Prof. Governance Domain(s)	Internal Audit coverage 2018-19
				L = Likelihood C = Consequence			
10	LOCALITY DEVELOPMENT Failure to develop effective locality working will lead to a risk that people will not receive care in line with the principles of the integration of Health & Social Care	R Packham E Devine D Fraser	Locality Working Arrangements Locality Structures	L= 5 C= 5 <u>25</u>	L= 3 C= 5 <u>15</u>	ALL	Included? No <u>Rationale</u> This is an area in progress and would best be reviewed once settled arrangements have been in place and operating for a period sufficient to allow meaningful assessment.

Internal Audit Assignments:

Service	Division	Title	Indicative Scope	Corporate Objective	Internal Audit Priority rating	Total days	Quarter
Corporate & Democratic Services	Human Resources	Payroll	To provide assurance on the accuracy and integrity of payroll	All	Medium	20	3
Corporate & Democratic Services	Human Resources	Workforce Planning	To review arrangements in place throughout the Council to ensure that there are plans for a sustainable workforce	All	High	30	2
Corporate & Democratic Services	Finance Division & IT	Review of Internal Controls following a Significant Fraud in another Council.	To review internal controls in place within Finance and IT following their review of vulnerabilities resulting from the significant fraud in another Council.	All	High	20	2
Corporate & Democratic Services	Finance Division	Sales Ledger	To provide assurance on the adequacy and effectiveness of the control environment for the raising, amendment and payment of sales ledger invoices.	All	High	20	3
Corporate & Democratic Services	Legal & Governance Services	General Data Protection Regulation	To provide assurance over the arrangements in place throughout the Council for compliance with GDPR	All	High	20	4
Corporate & Democratic Services	Strategic Commissioning	Management of Contracts	To review arrangements in place within Service to manage contracts.	All	Medium	25	2
Corporate & Democratic Services	Community Planning	Local Action Partnerships	To review the adequacy of the partnerships in delivering local priorities.	All	Medium	20	4

Service	Division	Title	Indicative Scope	Corporate Objective	Internal Audit Priority rating	Total days	Quarter
Corporate & Democratic Services	Corporate IT & Revenues	Further Follow Up of Financial Assessment & Charging	To continue to follow up actions arising from 16-07 Internal Audit Report and to ensure that arrangements in place have been sustained.	4	High	15	4
Education & Children's Services	Education Services	Residential Services	To provide assurance over the revised arrangements for residential placements.	1,2,4	Medium	25	3
Education & Children's Services	Education Services	School Estate Strategy	To provide assurance on the arrangements in place to ensure that the Council has adequate planning for the school estate.	2	High	25	2
Housing & Environment	Regeneration	Tay Cities Deal	The scope for this audit will be agreed nearer the towards the end of 2018.	3,5	Medium	20	4
Housing & Environment	Economic Development	LEADER	To undertake an audit of LEADER	3, 5	High	15	3
Housing & Environment	Property Planning	Carbon Reduction Commitment & Climate Change	To ensure that the Council is complying with the initiatives for carbon reduction and climate change	5	Medium	20	3
Health & Social Care	Social Care	Carers Act	To review the adequacy of arrangements in place for the implementation of the Carers Act	4	Medium	20	4
Corporate	Various	Welfare Reform	To ensure that the Council has an understanding of the impact of Welfare Reform on Services	1,3,4	High	20	2 & 3
Total days allocated to traditional audit activity						315	

NHS Tayside Operational Internal Audit Plan 2018-2019**Reference****Description****Scope****AUDIT PROCESS**

T	1	19	Audit Risk Assessment & Planning	Audit Risk Assessment & Operational Planning
T	2	19	Audit Management & Liaison with Directors	Audit Management, Liaison with Directors of Finance and other Officers
T	3	19	Liaison with External Auditors	Liaison and co-ordination with External Audit
T	4	19	Audit and Performance Committee	Briefings, preparation, attendance and action points
T	5	19	Clearance of Prior Year	Provision for clearance and reporting of 2017-2018 Audit Reports

CORPORATE GOVERNANCE*Accountability and Assurance*

T	6	19	Annual Internal Audit Report	CIA's annual assurance to Audit and Performance Committee
T	7	19	Governance Statement	Preparation of portfolio of evidence to support governance statement
T	8	19	Interim Review	Overall assessment of adequacy & effectiveness of the framework of internal control
T	9	19	Audit Follow-up	Review of the audit follow-up mechanism & selective examination

Control Environment

T	10	19	Code of Corporate Governance (SOs, SFIs and SoD)	Contribution to Governance Review Group
T	11	19	Board, Operational Committees and Accountable Officer	Attendance at Board meetings
T	12	19	Policies and Procedures	Identification, review, approval, communication and implementation of policies

Risk Management

T	13	19	Staff and Patient Environment	Overall assurance mechanisms for risk 28 - Health
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				Safety
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Sustainability

T	14	19	Environmental costs	Final review of CRC targets
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HEALTH PLANNING*Health Plan*

T	15	19	Three Year Transformation Plan	Review of key programme management controls operating over the Transformation Plan as highlighted within T08/18
T	16	19	Improvement, innovation and operational planning	Review of specific projects
			<i>Service Monitoring</i>	
T	17	19	Organisational Performance Reporting	Review of implementation of performance reporting improvements recommended in T08/18
T	18	19	Organisational Performance Management	Specific review of CAMHS service
			<i>Effective Partnerships and Integrated Care</i>	
T	19	19	Health and Social Care Integration	Working with local authority partners to deliver IJB Internal Audit Plan ongoing review of Health Board HSCI risk and associated controls

CLINICAL GOVERNANCE*Patient Safety*

T	20	19	Medical Equipment and Devices	Review of restructure of Medical Equipment groups following Internal audit recommendations
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FINANCIAL ASSURANCE*Accountability*

T	21	19	Fraud Liaison Officer duties	Deputy Fraud Liaison Officer duties including reporting to Audit and Performance Committee, annual fraud checklist, responding to risk assessment
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Use of resources

T	22	19	Savings programme	Review of new arrangements to identify, deliver and report on recurrent and non-recurrent savings
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FINANCIAL MANAGEMENT

T	23	19	Financial Planning	Review of 2017/18 Strategic Financial Planning process to identify areas for improvement for 2018/19.
T	24	19	Financial Management	Budgetary control; reporting, remediation and data accuracy

CAPITAL INVESTMENT*Capital Strategy*

T	25	19	Property Management Strategy	Property strategy to support organisations strategies and priorities: purchase, disposal and maintenance.
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Capital and Property

T	26	19	Contract Management	Project appraisal, pre-contract arrangements, contract management and post implementation review
T	27	19	Property Transaction Monitoring and Property disposals	Post Transaction Monitoring, Efficient effective planning for property disposal

Capital Finance

T	28	19	Asset control	Recording, identification and monitoring of assets.
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TRANSACTION SYSTEMS

T	29	19	SSPS	
T	30	19	Ordering, Requisitioning & Receipt	Purchasing and requisitioning
T	31	19	Service contract expenditure	Contracts for services received including arrangements for PFI/PPP and the 3rd sector
T	32	19	Service Contract income	Identification, monitoring and financial control of contracts for services provided

ENDOWMENT FUNDS

T	33	19	Endowment Funds/Patients funds	Operation of endowment committee and compliance with national endowment guidance.
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INFORMATION GOVERNANCE*Information Governance Standards*

T	34	19	Information Assurance/Information Security Framework	Implementation of NHSScotland information security policy framework including ICT Asset Security, e-health Business Continuity and Disaster Recovery
			<i>eHealth</i>	
T	35	19	eHealth Strategic Planning and Governance	Alignment of eHealth strategic plan with the Board's clinical strategy and transformation programme, the National eHealth Strategy. Review of supporting governance processes.
T	36	19	eHealth Project Management, Development, Procurement, Implementation and Training	eHealth Project Management and procurement processes including planning and implementation stage of eHealth projects, learning from previous experience

CONTINGENCY*Contingency*

T	37	19	Departmental Reviews	Review requested by management, focused on rostering within support and admin services as well as medical staffing
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AUDIT & PERFORMANCE COMMITTEE

208 September 2018

AUDIT RECOMMENDATIONS UPDATE

Report by Chief Financial Officer (Report No. G/18/126)

PURPOSE OF REPORT

This report provides the Audit & Performance Committee with progress on the implementation of all internal and external audit recommendations arising since the formal inception of the Integration Joint Board (IJB) on 1st April 2016.

1. BACKGROUND

It is best practice for Audit Committees to receive regular updates on progress in implementation of audit recommendations. A full review has therefore been undertaken on all internal and external audit recommendations since inception of the IJB on 1st April 2016. Resources have now been put in place to ensure this is updated on a regular basis.

2. UPDATE / SUMMARY OF FINDINGS

In terms of progress against recommendations, the follow up work undertaken indicates the following:

Status	
Complete	15
Not Yet Due	5
Overdue	9

Since the last update provided to this Committee, 7 actions from the Internal Audit Annual Report for 2017-18 have been added to the list of recommendations to be progressed. There have been no other audits conducted since the last report to this Committee.

For all items in progress for which the completion date has passed, a revised timeline has been agreed and will be closely monitored.

Appendix 1 lists all recommendations either overdue, not yet due or completed since the last report to this Committee. **Appendix 2** lists all recommendations which are complete and have been previously reported as complete to this Committee.

3. RECOMMENDATION

The Audit & Performance Committee are asked to note the progress made to date on implementing agreed recommendations.

Author(s)

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

PERTH & KINROSS IJB

Overall Action Ref	Internal or External	Report Type	Financial Year	Report Action Ref	Finding	Context / Recommendation	Action	All Leads	To be completed by	Priority	Status	Days overdue	Latest Update
8													
	External	Annual Report	15-16	4	The board has approved a performance management framework to comply with guidance set out in the Public Bodies (Joint Working) (Scotland) Act 2014. However, performance measures have yet to be developed.	The board should develop and agree key performance measures to be used in monitoring performance against its strategic objectives.	Work is on-going to agree key performance measures in the first instance they have focused on Capacity and Flow, however a wider framework of key performance measures will be developed for agreement by the board.				Overdue		The Executive Management Team is currently overseeing the development and implementation of a programme board structure to take forward the implementation of agreed Strategic Delivery Plans (SDP) for: Older People and Unscheduled Care, Primary Care, Wellbeing (including Mental health, Learning Disabilities, Drug & Alcohol services), Carers. Each Programme Board will agree a Performance Framework with appropriate targets. A Programme Budget will also be agreed. Draft Programme budgets for each programme have been shared and the proposed performance framework for Older People and Unscheduled Care will be considered by the Audit & Performance Committee in June. A Performance Framework for all care programmes will be in place by the end September 2018

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Overall Action Ref	Internal or External	Report Type	Financial Year	Report Action Ref	Finding	Context / Recommendation	Action	All Leads	To be completed by	Priority	Status	Days overdue	Latest Update
9	Internal	Clinical & Care Governance	17-18	1	The R1 group as originally described within the "Getting it Right for Everyone" (GIRFE) was not established. However, the September 2017 NHS Tayside Clinical Quality Forum (CQF) received its updated terms of reference which now state that 'There will be three meetings per year [of the CQF] which will focus on Clinical and Care Governance assurances and learning from the three HSCPs'. The paper also sets out future arrangements including a requirement to 'Seek assurance through performance reports from the three HSCPs that the Getting it Right for Everyone, Clinical and Care Framework is implemented across all HSCPs.' Currently, minutes of all three Tayside IJB R2 groups are reported here. From a review of the draft minutes of this meeting it is not clear that this proposed arrangement for an R1 group operating through the CQF entirely fulfils all of the requirements of GIRFE and the Integration Scheme.	It is recommended that any new arrangements be considered and approved by the IJB or a nominated Committee/group.	A paper detailing the new arrangements to be considered and approval sought by P&K IJB	Hamish Dougall, Jacquie Pepper	22/06/18	2	Overdue	77	<p>Paper drafted and submitted for discussion at the IJB on 22 June 2018.</p> <p>Agreed at the IJB Agenda setting meeting that this paper should be directed to the Audit & Performance Committee at its meeting on the 20th September in the first instance.</p>
10	Internal	Clinical & Care Governance	17-18	2	Whilst the terms of reference of the Audit & Performance Committee do not specifically refer to clinical, care & professional governance, the overall duty of the committee is to review the internal control arrangements of the IJB which would include clinical & care governance; as well as responsibility for risk management arrangements.	We would recommend that the R2 Forum prepares an annual report for consideration by either the Audit & Performance Committee or the IJB itself.	<p>The P&K Care & Professional Governance Forum has provided reports to the meetings of the IJB on the 15th June 2016, 4th November 2016 and 30th June 2017, and to the meetings of the Audit & performance Committee on the 28th March 2017, 27th June 2017.</p> <p>It is intended that a progress report will be reported to the Audit & Performance Committee meeting on the 6th March 2018, and to the IJB meeting on the 22nd June 2018.</p> <p>Thereafter, reports will continue to be presented to both the Audit & performance Committee and the IJB at least annually.</p>	Hamish Dougall, Jacquie Pepper	22/06/18	2	Overdue	77	<p>Paper drafted and submitted for discussion at the IJB on 22 June 2018.</p> <p>Agreed at the IJB Agenda setting meeting that this paper should be directed to the Audit & Performance Committee at its meeting on the 20th September in the first instance</p>

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Overall Action Ref	Internal or External	Report Type	Financial Year	Report Action Ref	Finding	Context / Recommendation	Action	All Leads	To be completed by	Priority	Status	Days overdue	Latest Update
11	Internal	Clinical & Care Governance	17-18	3	The terms of reference for the R2 Forum were approved by the IJB in November 2016.	We would recommend that following a review and refresh of this document based on the findings of this report, the IJB should again have an opportunity to comment on the work of the forum to ensure it will receive the assurances it requires.	The terms of reference and workplan for the forum were reviewed at the Care & Professional Governance meeting on the 9th February 2018. Draft versions of the 2018/19 terms of reference and workplan will then be presented to the IJB along with the progress report on the 22nd June 2018 to seek approval.	Hamish Dougall, Jacquie Pepper	22/06/18	3	Overdue	77	Terms of reference submitted along with the annual report to the IJB on 22nd June 2018 Agreed at the IJB Agenda setting meeting that this paper should be directed to the Audit & Performance Committee at its meeting on the 20th September in the first instance
15	Internal	Clinical & Care Governance	17-18	7	Although the terms of reference of the R2 Forum state that 'It is highly important that members attend the Care & Professional Governance Forum on a regular basis. No more than two meetings should be missed in any one year unless due to extenuating circumstances agreed with the chair of the forum', we noted a high level of apologies at meetings with 15 members missing 2 or more meetings in 2017/18 to date, including four members who did not attend any meetings.	We would recommend that deputies are nominated for all members.	A review of the dates and times of future meetings were discussed by the forum on the 9th February 2018. Deputies for members will be identified and listed within the 2018/19 terms and reference.	Hamish Dougall, Jacquie Pepper	31/03/18	3	Complete	160	Deputies for group member identified.
16	Internal	Clinical & Care Governance	17-18	8	Not all services were able to confirm as part of the gap analysis that comprehensive risk management processes are in place.	We would recommend that action plans are agreed for each service to move towards a 'green' position within each of the gap analysis questions under the 6 key domains and that this is monitored by the R2 Forum.	All services will be asked to provide actions planned or in progress to move towards a 'green' position within each of the gap analysis questions. This will be included within the service annual report.	Hamish Dougall, Jacquie Pepper	31/03/18	2	Overdue	160	Services asked to provide updates on areas within their service which had been identified as "red" within the gap analysis. This will be further discussed at the Care & Professional Governance Forum meeting on the 5th October 2018

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Overall Action Ref	Internal or External	Report Type	Financial Year	Report Action Ref	Finding	Context / Recommendation	Action	All Leads	To be completed by	Priority	Status	Days overdue	Latest Update
17	Internal	Clinical & Care Governance	17-18	9	Our review of minutes of the R2 Forum to date also do not show overt consideration of the IJB's strategic clinical & care governance risk or clinical risks. We also note that the remit does not cover the escalation of operational risks.	We would also recommend regular consideration of relevant risks by the forum with clear routes for escalation.	The forum discussed the forums remit regarding clinical and operational risks as part of the review of the terms of reference on the 9th February 2018. The forum agreed that a standing item would be added to the agenda for clinical and care governance risk management. It was acknowledged that Angus HSCP and the Mental Health Directorate both have a more developed process for the oversight of clinical and care risks, and it was agreed that contact be made with these areas to further discuss.	Hamish Dougall, Jacquie Pepper	06/04/18	2	Overdue	154	A standing item has been added to the agenda for clinical and care governance risk management. Risks in relation to Health are captured on the DATIX system, whilst risks in relation to Adult Social Work & Social care are captured within service risk registers. Work is ongoing to establish a process for a joint risk report to be bought to future Forum meetings. This will be further discussed at the Care & Professional Governance meeting on the 5th October 2018
18	Internal	Delayed Discharge	17-18	1	The Delayed Discharges Plan 2016/17 does not clearly set out SMART action points linked to resources and allocated to responsible officers and timescales. An updated Delayed Discharges Action Plan 2017 was created which sets out responsibility, timescales and progress/deliverables; however, this has yet to be presented to the IJB for their consideration.	We recommend that a 2017/18 Delayed Discharges Plan is presented to the IJB in the format of a SMART action plan, identifying specific actions to be undertaken, those officers who will be responsible for putting the actions in place, the time frames by which actions will be implemented and the review to be undertaken to ensure that action described has been implemented. Financial consequences of actions to be taken should also be clearly indicated in this plan.	A Capacity & Flow Programme Board is to be set up lead by PKHSCP Clinical Director which will oversee delivery of the 6 Key Measures of Performance under Integration which includes reducing delayed discharges. A key output of the Board will be a SMART Action Plan and clear identification of all financial consequences linked to the wider Financial Plan. The Board will be supported by a dedicated Programme Manager. To support the Board, a performance reporting framework will be established to ensure robust, routine performance data. Regular performance reports against the 6 Key Measures of performance under integration will be presented to the IJB and this will include investment proposals as required to ensure delivery of performance objectives to support Strategic Plan delivery.	Hamish Dougall	30/09/17	2	Overdue	342	This a defined priority being progressed as part of the work ongoing by the P&K Clinical Forum, using the ECaP (Effective Care Programme) methodology. To be presented to the IJB in November 2018

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Overall Action Ref	Internal or External	Report Type	Financial Year	Report Action Ref	Finding	Context / Recommendation	Action	All Leads	To be completed by	Priority	Status	Days overdue	Latest Update
20	Internal	Delayed Discharge	17-18	3	No update report against the original Delayed Discharge Action Plan 2016/17 was presented to the IJB. Overall, reporting to IJB level has not yet enabled members to scrutinise what effect actions taken have had on delayed discharge performance.	We would recommend that management review delayed discharges reporting at governance level to ensure reporting addresses:- Progress reports against the updated Delayed Discharges Action Plan 2017/18 including analysis of whether the IJB is on track to achieve these targets, of the success of actions taken and of lessons learned.- Performance against the targets set out in the Business Management and Improvement Plan for Perth and Kinross Council's Housing and Community Safety service.- Reporting should also include consideration of whether resources are sufficient at present to achieve targets and any recommended strategic realignments which may be required.	A Capacity & Flow Programme Board is to be set up lead by PKHSCP Clinical Director which will oversee delivery of the 6 Key Measures of Performance under Integration which includes reducing delayed discharges. A key output of the Board will be a SMART Action Plan and clear identification of all financial consequences linked to the wider Financial Plan. The Board will be supported by a dedicated Programme Manager. To support the Board, a performance reporting framework will be established to ensure robust, routine performance data. Regular performance reports against the 6 Key Measures of performance under integration will be presented to the IJB and this will include investment proposals as required to ensure delivery of performance objectives	Hamish Dougall	30/09/17	2	Overdue	342	This a defined priority being progressed as part of the work ongoing by the P&K Clinical Forum, using the ECaP (Effective Care Programme) methodology. To be completed by November 2018
22	Internal	Delayed Discharge	17-18	4b	We would also note that the format of the IJB's risk register does not currently set out how assurance against the controls will be received nor does it provide current performance information as laid out in Appendix 2 to the Risk Management Strategy	The updated Delayed Discharges Plan 2017, once approved by the IJB, should be referenced as a control against this risk. Consideration should be given to the format of risk reporting.	The format of the risk register will be considered as part of the planned Risk Management Workshop outlined in the 17/18 Transforming Governance Action Plan.	Jane Smith	30/11/17	2	Overdue	281	Audit & Performance Committee agreed that a workshop based approach to review of the Risk management arrangements would be undertaken including a workshop with officers and IJB members in June 2018. This workshop process has commenced. First workshop held in April 2018. Further workshops have been delayed whilst further work undertaken by Executive Management Team to clarify Strategic Delivery Plan Priorities. Further workshops to take place , with the workshop with IJB members now planned for November 2018

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Overall Action Ref	Internal or External	Report Type	Financial Year	Report Action Ref	Finding	Context / Recommendation	Action	All Leads	To be completed by	Priority	Status	Days overdue	Latest Update
23	Internal	Annual Report	2017-18	1	We would also note that the format of the IJB's risk register does not currently set out how assurance against the controls will be received nor does it provide current performance information as laid out in Appendix 2 to the Risk Management Strategy	In addition to the next steps set out in the March 2018 Governance paper, we would recommend that the A&PC consider the governance principles adopted by the Health & Social Care Integration (HSCI) Governance working group and ensure that they are taken forward within the IJB, in partnership with both parent bodies.	Identify the governance principles adopted by the HSCI Governance Working Group, and ensure these are taken forward within the IJB. These principles should also clearly link to the strategic boards.	Rob Packham	30/09/18		Not yet due		Development of a detailed Governance Framework in progress
24	Internal	Annual Report	2017-18	2	We would also note that the format of the IJB's risk register does not currently set out how assurance against the controls will be received nor does it provide current performance information as laid out in Appendix 2 to the Risk Management Strategy	The Executive Management Team has replaced the Transformation Board as the key forum to oversee development and implementation of the service redesign required to deliver Strategic Plan objectives. We have been informed that the 3 year Financial plan which is planned for September 2018 will clearly set out by Care Programme the Transformation Proposals and financial implications. This will sit alongside Strategic Delivery Plans for each Care Group which will link transformation plans to strategic objectives and thus provide an overall picture.	Each of the Strategic Boards will have the responsibility for the development of a three year plan that ensures delivery of objectives	Jane Smith	30/09/18		Not yet due		
25	Internal	Annual Report	2017-18	3		Minutes of P&K IJB and Audit & Performance Committee (A&PC) meetings are minimalist and do not provide a record of discussions, questions asked and assurances provided which would allow interested parties, including Board members not in attendance, a fuller understanding of the issues.	Refresh of the secretariate arrangements for the A&PC and IJB to ensure the expectations for the content and details of minutes are clear, and that future minutes contain a more comprehensive summary of discussions and questions.	Maggie Rapley	30/09/18		Complete		Completed by Head of Democratic Services

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Overall Action Ref	Internal or External	Report Type	Financial Year	Report Action Ref	Finding	Context / Recommendation	Action	All Leads	To be completed by	Priority	Status	Days overdue	Latest Update
26	Internal	Annual Report	2017-18	4		Whilst the A&PC has regularly considered both performance and risk management updates, and the minutes of the committee are reported to the IJB, we would recommend that, in future, the A&PC provides a year-end report to the IJB with a conclusion on whether it has fulfilled its remit and its view on the adequacy and effectiveness of the matters under its purview. It may also be helpful at this time of year for the Committee to reflect on any matters of concern for future consideration.	To review the role and remit for the A&PC and take forward a self evaluation which will inform an annual report for 2018-19	Maggie Rapley	30/09/18		Not yet due		This recommendation to be further discussed with representatives from Internal Audit
27	Internal	Annual Report	2017-18	5		No formal directions were issued for 2017/18.	To identify and issue directions for 2017-18, and take proactive steps to ensure any future directions are issued as appropriate.	Jane Smith	30/09/18		Not yet due		Meeting scheduled for the 5th September to progress this action
28	Internal	Annual Report	2017-18	6		Standing orders and other fundamental governance documents should be subject to regular review to ensure they remain fit for purpose and should be updated following agreement of the HSCI governance principles.	Identify all the standing orders and fundamental governance documents and put in place a rolling programme / annual review process	Maggie Rapley	30/09/18		Not yet due		Development of a detailed Governance Framework in progress
29	Internal	Annual Report	2017-18	7		High level arrangements were made to refer to Best Value in the IJB's Annual performance report, based on the work undertaken by the Partnership Transformation Board set up in 16/17 to drive progress. Audit Scotland "Auditing Best Value - Integration Joint Boards" was published in March 2018. We have been informed that the Draft Annual Performance Report for 2017/18 includes a robust update on mechanisms in place for delivery of best value.	Source the document "Auditing Best Value - Integration Joint Boards", and ensure that an update on the mechanisms for best value is included in the 2017-18 Draft Annual Performance Report	Jane Smith	30/09/18		Complete		Best Value section contained within the Annual Performance Report

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Overall Action Ref	Internal or External	Report Type	Financial Year	Report Action Ref	Finding	Context / Recommendation	Action	All Leads	To be completed by	Priority	Status	Days overdue	Latest Update
1	Internal	Annual Report	16-17	1	Our evaluation of the IJB's governance framework is set out in the body of this report and includes our review of improvements identified by management for 2017/18 as well as further issues for consideration. Whilst the important broad areas we would expect to see based on identified gaps are all already included in the 'Transforming Governance Action Plan' developed we made further recommendations for specific additional details to be included in this work.	We would recommend that the governance action plan is updated for any further issues identified in this report and presented to the Performance and Audit Committee for approval and monitoring.	The governance action plan will be updated.	Jane Smith	30/06/17	2	Complete		The Transforming Governance Action Plan has been updated to include the appropriate recommendations
2	External	Annual Report	16-17	1	During the 2017-18 budget setting the board was informed that the Chief Finance Officer could not recommend approval of the budget proposition from NHS Tayside for GP prescribing. As at August 2017 there is still no approved 2017-18 GP prescribing budget or an agreed action plan to form a sustainable budget.	A budget for GP prescribing in 2017-18 should be finalised. In forming it the IJB should meet with NHS Tayside and agree a strategic action plan to address the prescribing spend. A sustainable prescribing position needs to be formed and the 2018-19 GP prescribing budget should be agreed before the start of the financial year.	The Chief Officer and Chief Finance Officer have written to both Parent Bodies asking for a formal discussion to take place around the sufficiency of the GP Prescribing budget and the implications for risk sharing arrangements moving forward.	Rob Packham, Jane Smith	31/10/17	1	Complete		An 18/19 financial plan for GP prescribing was presented to the IJB in March 2018. Significant progress has been made in identifying a range of plans to deliver financial balance. Whilst the plan is not in full balance (600k gap), further actions are being taken with the Clinical Director.
3	External	Annual Report	16-17	2	The IJB produces a finance update for each IJB meeting. The update presents information on IJB and Partnership year end over/under spend forecast, a summary of savings planned and savings booked and narrative to support to figures. The base budget position is not reported, only the over/under spend forecast against the budget.	The financial update should present the base budget position and variance year to date against this base budget position. This would allow appropriate levels of scrutiny over balances depending on the level of variance reported against budget.	The base budget position will now be incorporated as part of routine monthly reporting.	Jane Smith	31/10/17	2	Complete		The finance update presented at each IJB meeting has included the base budget position from month 5 onwards.
4	External	Annual Report	16-17	3	The partnership accountant provides significant support to the day to day financial management and control within the IJB. The position is on a fixed term basis which ends in July 2018.	It is recommended that a longer term solution is approved, either through a permanent post or extension of the temporary one with enough notice to enable the Chief Finance Officer to plan activities.	The Chief Finance Officer has now received the full support from NHST and PKC colleagues to appoint to the Partnership Accountant Post on a permanent basis.	Jane Smith	30/09/17	2	Complete		This post was made permanent on the 9th March 2018

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Overall Action Ref	Internal or External	Report Type	Financial Year	Report Action Ref	Finding	Context / Recommendation	Action	All Leads	To be completed by	Priority	Status	Days overdue	Latest Update
5	External	Annual Report	15-16	1	The Local Authority Accounts (Scotland) Regulations 2014 require the board to publish on its website; a copy of the annual accounts submitted to the auditor, clearly identified as an unaudited version, a public notice of the right of interested persons to inspect and object to its accounts. The public notice was not completed within statutory deadlines and was only published through Perth & Kinross Council's website on 28 July 2016.	The board should ensure compliance with the publication requirements of the 2014 regulations and ensure its website is updated timeously with the required information.	Agreed the public notice deadline would be met for year 2016-17.				Complete		The 2016-17 unaudited accounts were published online in line with the Public Notice by 28 June 2017.
6	External	Annual Report	15-16	2	The board did not agree a budget for 2015-16 and did not monitor the actual cost incurred.	The budget should be established and agreed prior to the commencement of the year and monitored regularly throughout the year.	The Chief Finance Officer will work with NHS Tayside and Perth and Kinross Council to align a budget setting timetable to support the delivery of a budget by 31 March each year.				Complete		A budget for 2017-18 was set on 24 March 2017. The budget was presented to the IJB through a formal procedure and agreed upon during the meeting. This report includes unidentified savings.
7	External	Annual Report	15-16	3	The budget agreed in March 2016 highlighted the need to develop a financial recovery plan. The financial recovery plan was agreed in July 2016 however this highlighted that the funding was still considered by officers to be insufficient to meet the board's requirements. There is a risk the board is unable to fund the services.	The board should develop and agree key performance measures to be used in monitoring performance against its strategic objectives.	All possible efforts continue to be made to identify further saving opportunities and reduced supplementary staffing expenditure. Progress will be reported to the IJB at each meeting.				Complete		A "Savings plan V Savings booked/ anticipated" is included in financial update, the information included comes from budget holders who are actively involved in providing services and from the Chief Finance Officer and Partnership Accountant. This is monitored on a monthly basis and included within each financial update presented to the board.
12	Internal	Clinical & Care Governance	17-18	4	Domain sub groups are in operation alongside the R2 Forum including a regular agenda item on exception reporting. However, from our review of minutes of the forum and the remit in place, it is not clear how information is reported and how actions are agreed where weaknesses are identified by the sub groups.	More clarity is needed on how the work of the subgroups flows into the forum and helps the forum to fulfil its overall remit and this should be taken into account in the refresh of the forum's remit.	The domain subgroups were discussed as part of the review of the terms and reference and workplan for the forum on the 9th February 2018. The forum agreed that assurances regarding progress with each of the domains should be via service annual reporting and updates on specific activity ongoing with the partnership, rather than to continue with discrete sub-groups for the domains. The forum terms of reference and workplan for 2018/19 will reflect this approach.	Hamish Dougall, Jacque Pepper	31/03/18	3	Complete		Complete

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Overall Action Ref	Internal or External	Report Type	Financial Year	Report Action Ref	Finding	Context / Recommendation	Action	All Leads	To be completed by	Priority	Status	Days overdue	Latest Update
13	Internal	Clinical & Care Governance	17-18	5	A gap analysis across 18 partnership services against the 6 domains of the GIRFE framework has been carried out and reported. Given the forum meets every two months, a minimum of 3 services would have to report to each meeting. However, in 2017/18 to date, only 4 services' annual reports have been planned and only one was received by the group.	A workplan should be developed for the R2 Forum to ensure sufficient reporting across each of the partnership's services as set out in Annex 1 and 2 to the Integration Scheme. This should be linked to a mapping exercise where external inspections of the services are planned or expected. Within this context, we would also highlight the need to apply a consistent assurance appetite to all aspects of IJB activity; whilst there are different assurance sources for different activities, there may be benefit in ensuring that the level of assurance received is consistent.	A timetable has been created for future meetings which details the services which are due to report. Starting with the meeting on the 6th April 2018, there will be either 3 or 4 services reporting at each meeting. This timetable will be reflected in the forum workplan for 2018/19. The forum will add a standing item on the agenda for services which have been subject to an internal or external inspection to provide assurances to the forum that any actions identified are being progressed. Services will also be expected to make the forum aware of any announced or unannounced inspections.	Hamish Dougall, Jacquie Pepper	31/03/18	2	Complete		Complete
14	Internal	Clinical & Care Governance	17-18	6	Our review of minutes of the R2 Forum to date has not shown any overt reporting on hosted services. Perth & Kinross IJB hosts General Adult Psychiatry Mental Health Inpatient Services on behalf of the other Tayside IJBs. There is a high risk associated with the Mental Health service which is recorded as a strategic risk for NHS Tayside and referred to within the IJB's clinical & care governance risk. However, no reports have come to the R2 forum on this which would allow P&K IJB to provide assurance to Angus & Dundee IJB. We have also not seen evidence of reporting of care commission inspection reports at either the R2 Forum, A&PC or the IJB itself during the year.	We would recommend that deputies are nominated for all members. We would suggest that these would most naturally align with the work of the forum.	With regards to the reporting from hosted services: Public Dental services presented their annual report to the forum on the 18th August 2017. Inpatient Mental Health services reported to the forum on the 9th February 2018. Podiatry reported to the forum on the 6th April 2018. Prison Healthcare are due to report to the forum on the 5th October 2018. With regards to reports from the Care Inspectorate, this will be incorporated into the 2018/19 terms and reference and workplan for the forum.	Hamish Dougall, Jacquie Pepper	31/03/18	2	Complete		Complete

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Overall Action Ref	Internal or External	Report Type	Financial Year	Report Action Ref	Finding	Context / Recommendation	Action	All Leads	To be completed by	Priority	Status	Days overdue	Latest Update
19	Internal	Delayed Discharge	17-18	2	Delayed discharges arising due to 'Care home' reasons are not currently clearly addressed in the documentation reviewed by internal audit as part of our fieldwork.	A needs analysis against current provision should be carried out and any future delayed discharge action plan should seek to address the findings of such an analysis and the impact this has on achieving a reduction in delayed discharges, including any strategic resource realignment necessary to achieve the required outcomes.	As part of budget setting for 17/18 a detailed forecast has been undertaken of anticipated increase in demand and additional budget for Care Home Placements made. The budget setting process ensures the strategic alignment of resources to support this increased investment in Care Home capacity.	Jane Smith	23/06/17	2	Complete		Complete
21	Internal	Delayed Discharge	17-18	4a	The Strategic Risk Framework includes a strategic risk on Capacity & Flow and some of the current controls listed relate to ongoing activities to address delayed discharges at management level. Whilst the delayed Discharge Plan is mentioned as a relevant document in the IJB's summary risk profile, it is not listed as a control against the Capacity & Flow risk.	The updated Delayed Discharges Plan 2017, once approved by the IJB, should be referenced as a control against this risk. Consideration should be given to the format of risk reporting.	The establishment of the Capacity and Flow Programme Board, the investment in a dedicated programme manager and the development of a SMART Action Plan and supporting Performance Reporting Framework will be added to the Risk Register as a proposed control at this stage.	Jane Smith	30/11/17	2	Complete		Proposed controls added to the existing register under the Capacity and Flow risk



AUDIT AND PERFORMANCE COMMITTEE

20 September 2018

ANNUAL ACCOUNTS 2017/18

Report by Chief Financial Officer (Report No. G/18/127)

PURPOSE OF REPORT

This report presents the IJB's Audited Annual Accounts for the period to 31 March 2018 to the Audit & Performance Committee for approval and submission to the IJB.

1. BACKGROUND

The Unaudited Annual Accounts for 2017/18 were submitted to Audit Scotland on 30 June 2018. The Annual Accounts were prepared in accordance with the 2014 CIPFA Code of Practice on Local Authority Accounting ('the code'). These accounts also comply with the Local Authority Accounts (Scotland) Regulations 2014. The Unaudited Annual Accounts were available for public inspection between 2 July and 20 July (inclusive). KPMG, the IJB's external auditors, received no objections during this period. On 22nd June 2018 the IJB approved the Unaudited Annual Accounts for 2017/18.

2. ANNUAL ACCOUNTS 2017/18

The audit of the Annual Accounts took place between July and August 2018 during which time KPMG considered whether the Annual Accounts 2017/18:-

- Gave a true and fair view in accordance with applicable law and the 2014/15 Code of the state of the affairs of the IJB as at 31 March 2018 and the income and expenditure of the IJB for the year then ended;
- Had been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, as interpreted and adapted by the 2014/15 Code;
- Had been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

KPMG's findings are set out in the Annual Audit Report to members and the Controller of Audit provided to the Audit and Performance Committee under separate cover.

The key messages from the 2017/18 audit are set out at within the Executive Summary at Page 3 and are summarised as follows:-

- Unqualified independent auditor's report on the 2017/18 financial statements;
- 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. KPMG concur with management's assessment that further support is needed to ensure that there is adequate capacity to deliver on savings plans and effectively direct all services.
- The IJB faces ongoing financial pressures, reflecting those faced by its partner bodies. With both partner organisations forecasting overspends in their respective services, the integration scheme may require 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.
- 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.
- Overall, KPMG consider that the IJB has appropriate arrangements for using resources effectively and continually improving services.
- KPMG propose a recommendation in relation to the workforce plan.

The Audited Accounts are attached to this report at Appendix 1.

3. CONCLUSION AND RECOMMENDATION

KPMG's findings on the 2017/18 Audit are set out in the Annual Report to members and the Controller of Audit.

It is recommended that the Audit & Performance Committee:

- Approve the Audited Annual Accounts for 2017/18 for submission to the IJB for final approval.

Author(s)

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

Appendix 1 - 2017/18 Audited Annual Accounts



Perth and Kinross Integration Joint Board Annual Accounts 2017/18

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SECTION 1: MANAGEMENT COMMENTARY

INTRODUCTION

This publication contains the financial statements for Perth & Kinross Integration Joint Board (IJB) for the year ended 31 March 2018.

The Management Commentary outlines key messages in relation to the objectives and strategy of Perth & Kinross Integration Joint Board (IJB) and the financial performance of the IJB for the year ended 31 March 2018. 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 we face in meeting the needs of the people of Perthshire & Kinross.

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

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

A Council nominee was the Chair of the IJB until 30th September 2017 and the Vice-Chair was drawn from NHS Board Non-Executive Directors. From 1st October an NHS Board Non-Executive Director was the Chair and a Council nominee was appointed as Vice Chair. A number of non-voting Representative Members sit on the Integration Joint Board and contribute to its proceedings. These Representatives are chosen from the Third Sector, Carers, Services Users, and Council and NHS Board staff. A GP Stakeholder Member has also been appointed along with a Medical Practitioner who is not a GP.

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

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

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

PURPOSE AND OBJECTIVES OF THE IJB

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

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

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

OPERATIONS FOR THE YEAR

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

- The development of Integrated Care Teams (ICTs) across the three localities in Perth & Kinross has continually aimed at providing targeted health and social care to restore and improve the quality of life for individuals in our communities. A Person Centered Framework has been developed for the purposes of identification of a named key worker.
- A redesign of Psychiatry of Old Age (POA) services has been taken forward increasing the Older Peoples Mental Health community based teams across Perth & Kinross allowing enhanced care in people's homes. The enhanced teams are an integral part of the Integrated Care Team in each locality. In addition a multi-disciplinary POA Liaison Service has been established supporting wards at Perth

Royal Infirmary and Murray Royal Hospital dementia care, diagnosis of delirium and managing cognitive impairment needs.

- During the year, the fully implemented Discharge Hub at Perth Royal Infirmary has had a significant impact on ensuring timely and appropriate discharge from hospital, improving health and well being outcomes by reducing significantly the length of stay in a hospital setting and the overall risk of a delay. Further a new Social Care 'HART' team (Home Assessment Recovery Team) has been established in further support of timely discharge and early intervention and prevention. Care Home liaison services have also been enhanced ensuring timely and appropriate discharge to care home settings. A better locality focus on Care Home Liaison has also been established.
- During the year, a full review of residential care was undertaken. In Perth & Kinross there is a decline in demand for residential care home placements in line with national trend. However demand for nursing care home placements continues to increase and further investment will be required moving forward.
- The implementation of the Carer's Act has been a significant program of work. The IJB approved eligibility criteria during the year following consultation with key stakeholders. Additional carer support workers have been recruited. Further significant investment will be required moving forward.
- The implementation of a new care home contract was completed following an extensive tendering process. The demand of care at home continues to increase however and the sector has struggled to keep pace with demand. A review of the sustainability of the current service model is required.
- During 2017/18 the significant restructure of social work and social care field work teams was completed, ensuring a shift in resources to provide early and preventative interventions. Moving forward we will be working with communities to support the work that they can do to reduce isolation and loneliness.
- We have worked closely with clinicians at Perth Royal Infirmary and with staff across Community Hospitals to develop a sustainable service model for the future with pathways that ensure appropriate capacity and flow in and out of the inpatient environments.
- As the IJB is responsible for hosting In Patient Mental Health and Learning Disabilities, we have completed an extensive review of these services with options identified and a three month public consultation on proposals for the future delivery of services. The preferred option will see the relocation of all 4 General Adult Psychiatry wards at the Carseview Centre in Dundee and all Learning Disability Inpatient Wards relocated to Murray Royal Hospital in Perth.
- Across our other hosted services, the Podiatry Service has successfully implemented a move to single use instrumentation in a number of areas. Further, it has undertaken a review of workforce to ensure equity of access to specialist podiatry care across each locality. Within our Public Dental Service, the

provision of person centered care has continued with close community working to promote oral health prevention an intervention across all ages. Within Prison Healthcare, the completion of significant redesign of workforce has improved the effectiveness of service delivery including medicines prescribing.

- During 2017/18, we have provided funding to support GP capacity to work with us on quality, safe and cost effective prescribing. The program of engagement will step up further in 2018/19.
- The role of the Executive Management Team has been strengthened and this pivotal group now provides scrutiny review and support to all key transformation projects across the Partnership.

Looking forward to 2018/19, the Partnership has a number of key priorities focused on ensuring future sustainability of services:

- We will take forward the development of our Primary Care Improvement Plan aimed at ensuring that the benefits set out in the new contract for GP's are realised.
- We plan to expand Technology Enabled Care in the year ahead and enable people to choose the way their care and support are provided. This will complement our support to carers and reduce the need for Care at Home where this is appropriate.
- We will increase our support to carers through further enhanced community support, enabling people to remain at home for longer and avoiding unnecessary admissions and longer stays in hospital.
- For Inpatient Mental Health services the planning for and implementation of approved transformational changes will be taken forward. Further opportunities to deliver sustainable services will also be developed. This will include a review of the current inpatient drug and alcohol service.
- We will continue the review of our Inpatient Medicine for the Elderly Ward, Stroke Services and Community Hospitals which is being taken forward through the Perth & Kinross Integrated Clinical Strategy Forum. This work forms a wider part of the Integrated Strategy option appraisal work being taken forward by NHS Tayside.
- There will be a further review of Psychiatry of Old Age Inpatient Services with an even greater focus on community based provision through the Integrated Care Teams in each locality.
- Within Prison Healthcare we will work with the Scottish Prison Service to consider implications of a move to Smoke Free Prisons.

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	P&K Total Previous Year 2016/17	P&K Current Year 2017/18	P&K YTD diff from 16/17
1a	Emergency Admissions	15,128	15,021	↓ 107
2a	Unscheduled hospital bed days	111,324	102,451	↓ 8,873
3a	A&E Attendances	31,825	32,506	↑ 681
4.1	Delayed discharge bed days *	19,176	16,785	↓ 2,391
5.1	Proportion of last 6 months of life spent at home or in a community setting	88%	89%	↑ 0.46%
6.1	Percentage of population at home unsupported	98%	98%	↑ 0.03%

* Changes in the calculation of Delayed Discharge came in 2016

Our work to ensure effective and appropriate flow into and from our hospital services has impacted positively on both levels of delayed discharge and unplanned admissions.

FINANCIAL MANAGEMENT

Background

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

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

Analysis of Financial Statements

The main objective of the Annual Accounts is to provide information about the financial position of the IJB that is useful to a wide range of users in making and evaluating decisions about the allocation of resources.

The 2017/18 Annual Accounts comprise:-

- a) Comprehensive Income and Expenditure Statement – Whilst this statement shows a deficit of £1.386m, this is offset by a planned utilisation of reserves in year to meet planned expenditure. This is further explained in section d).
- b) Against health budgets an underlying over spend of £1.279m was reported. However in line with the risk sharing agreement agreed with NHS Tayside and Perth & Kinross Council for the first three years of the IJB, NHS Tayside devolved further non-recurring budget to the IJB to balance income with expenditure. A breakeven position for 2017/18 is therefore reported against health budgets.
- c) Against Social Care budgets an underlying under spend of £2.637m was delivered. The Integration scheme sets out that under spends can be retained by the IJB as reserves following agreement with the Partners. Such agreement was not reached in relation to the 2017/18 under spend. Instead Perth & Kinross Council reduced the budget to deliver a breakeven position and will carry forward the under spend in an earmarked reserve for Social Care within the Councils accounts.
- d) Movement in Reserves – The IJB carried £1.386m reserves into 2017/18 to meet planned expenditure and these reserves were fully released into the budget in line with plan. As above, the under spend on Social Care will be carried forward by Perth & Kinross Council. Therefore the IJB is reporting no reserves as at 31st March 2018.
- e) Balance Sheet – In terms of routine business the IJB does not hold assets, however the movement in reserves noted above is reflected in the year-end balance sheet.
- f) Notes, comprising a summary of significant accounting policies, analysis of significant figures within the Annual Accounts and other explanatory information.

The Annual Accounts for 2017/18 do not include a Cash Flow Statement as the IJB does not hold any cash or cash equivalents.

The overspend on health services has arisen across GP Prescribing and Inpatient Mental Health Services. For GP Prescribing, anticipated national price reductions on specific medicines were not realized impacting significantly on the in year financial position. For Inpatient Mental Health, nursing costs and medical costs continue to be significantly higher than budgeted. Both areas are undergoing significant review and transformation with plans in place for 2018/19 that should see a significant reduction in levels of spend.

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 Financial Plan for 2018/19 has been developed with the objective that the IJB operates within resources available. A budget settlement with Perth & Kinross Council and NHS Tayside has been agreed. Discussions are continuing with NHS

Tayside in relation to Prescribing and Inpatient Mental Health (which Perth & Kinross IJB hosts on behalf of all three IJB's). However significant transformation and cost improvement plans are being developed for both areas which should support future financial sustainability.

Both settlements present significant challenges in terms of accommodating demographic and inflationary type pressures across core services. In particular pay, price and demand pressures across social care services are estimated at £4.6m for 2018/19 with similar levels forecast for the next two years. Whilst a significant transformation and efficiency programme has been identified for 2018/19 the scope of opportunity for further major transformation across services will not be sufficient to address the level of social care pressures moving forward. Both parent bodies are facing a very difficult financial outlook. Perth and Kinross Council have set an indicative budget for the IJB for 2019/20 and 2020/21 which could see further net cuts to the budget in both years. Early discussions are taking place with NHS Tayside and Perth and Kinross Council to ensure a collective understanding of the significant challenges and to provide a forum for agreement for the IJB's budget for 2019/20 and beyond.

In addition to the recurring settlement for 2018/19, NHS Tayside have agreed to distribute non-recurring funding to the IJB to take forward a number of agreed projects for which expenditure has been delayed and will now not be incurred until 2018/19.

FURTHER INFORMATION

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

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

Perth & Kinross IJB Strategic Plan:

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

Perth & Kinross IJB publishes all formal Board papers at:

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

Further information regarding the Annual Accounts can be obtained from:
Chief Finance Officer, Perth & Kinross IJB, 2 High Street, Perth PH1 5PH.

CONCLUSION AND ACKNOWLEDGEMENTS

We are pleased to record that during 2017/18 the IJB has successfully delivered health and social care services to the population of Perth and Kinross and, for hosted services, to the population of Tayside. We acknowledge this has been a challenging year and the IJB's success has only been achieved through the hard work of staff employed in Perth & Kinross Council and NHS Tayside and other partner organisations.

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

Stephen Hay

28/9/18

IJB Chair

Rob Packham

28/9/18

Chief Officer

Jane Smith

28/9/18

Chief Financial Officer

SECTION 2: STATEMENT OF RESPONSIBILITIES

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

Responsibilities of the Integration Joint Board

The Integration Joint Board is required to:

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

I confirm that these Annual Accounts were approved for signature at a meeting of the Integrated Joint Board on 28 September 2018.

Signed on behalf of the Perth and Kinross IJB

Stephen Hay
IJB Chair

28/9/18

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 2018 and the transactions for the year then ended.

Jane Smith
Chief Financial Officer

28/9/18

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 2018, Perth and Kinross IJB had 8 voting members and 12 non-voting members as follows:

Voting Members:

Linda Dunion (Chair)	Councillor Xander McDade
Councillor Crawford Reid (Vice Chair)	Judith Golden (NHS Employee Director)
Councillor Chris Ahern	Sheila Tunstall-James (Non Executive Member)
Councillor Eric Drysdale	Stephen Hay (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)	Fiona Fraser (Staff Organisations Rep.)
Dr Neil Prentice (Associate Medical Director)	Helen McKinnon (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 2017/18 the position of Chair was held by Councillor Dave Doogan until 3rd May 2017, and then by Councillor Crawford Reid from 17th May until 30th September 2017, it was then held by Linda Dunion (NHS non-executive) from 1st October 2017 until 30th April 2018. The Chair is now held by Stephen Hay (NHS non-executive).

The position of Vice-Chair was held by Linda Dunion (NHS non-executive) until 30th September 2017, then Councillor Crawford Reid until 30th April 2018. The position of Vice-Chair is to be confirmed at the June IJB.

IJB CHAIR AND VICE CHAIR

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

The IJB does not provide any additional remuneration to the Chair, Vice Chair or any other board members relating to their role on the IJB. The IJB does not reimburse the relevant partner organisations for any voting board member costs borne by the partner. There were no taxable expenses paid by the IJB to either the Chair or the Vice Chair in 2017/18.

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 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 will adhere to the legislative and regulatory governance of the employing partner organisation. The remuneration terms of the Chief Financial Officer as approved by the IJB.

Other Officers

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

Total 2016/17 £	Senior Employees	Salary, Fees & Allowances £	Total 2017/18 £
83,965	Rob Packham Chief Officer	86,112	86,112
69,933	Jane Smith Chief Financial Officer	70,539	70,539
153,898	Total	156,651	156,651

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

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

Senior Employee	In Year Pension Contributions		Accrued Pension Benefits		
	For Year to 31/03/17 £	For Year to 31/03/18 £		Difference from 31/03/17	As at 31/03/18
Rob Packham Chief Officer	12,703	13,168	Pension	1,947	24,945
			Lump sum	5,840	74,834
Jane Smith Chief Financial Officer	10,409	10,513	Pension	1,749	20,914
			Lump sum	492	49,679
Total	23,112	23,681	Pension	3,696	45,859
			Lump Sum	6,332	124,513

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 2016/17	Remuneration Band	Number of Employees in Band 2017/18
1	£65,000 - £69,999	0
0	£70,000 - £74,999	1
1	£85,000 - £89,999	1

Stephen Hay
IJB Chair

28/9/18

Rob Packham
Chief Officer

28/9/18

SECTION 4: ANNUAL GOVERNANCE STATEMENT

INTRODUCTION

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

SCOPE OF RESPONSIBILITY

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

To meet this responsibility the IJB has established arrangements for governance that includes a system of internal control. The system is intended to manage risk to support achievement of the IJB's policies, aims and objectives. Reliance is also placed on the NHS Tayside and Perth & Kinross Council systems of internal control that support compliance with both organisations policies and promotes achievement of each organisations aims and objectives including those of the IJB. Assurance has been received from both NHS Tayside and Perth and Kinross Council as to the effectiveness and adequacy of those systems. The systems can only provide reasonable and not absolute assurance of effectiveness.

PURPOSE OF THE GOVERNANCE FRAMEWORK

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

GOVERNANCE FRAMEWORK

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

The main features of the governance framework that was in place during 2017/18 are summarised below:

- The IJB, comprising all IJB Board members, was the key decision making body. The Audit and Performance Committee considered all matters in relation to Internal and External Audit, Risk Management and Performance;

- Strategic decision-making is governed by the IJB's key constitutional documents including the Integration Scheme, standing orders, scheme of administration, scheme of delegation to officers and financial regulations;
- The IJB's purpose and vision are outlined in the IJB Strategic Plan. Regular progress reports on the delivery of Strategic Plan priorities were provided to the IJB.
- The Performance Management Strategy focuses very firmly on embedding a performance management culture throughout the IJB. Regular reporting to Board Members takes place;
- The IJB has adopted a 'Code of Conduct' for all of its Board Members and employees, a register of interests is in place for all Board members and senior officers;
- The IJB has in place a development programme for all Board Members;
- The IJB has established 3 locality planning forums, reflecting the previously agreed local planning areas;
- Financial management arrangements conform to the governance requirements of the CIPFA statement: 'The Role of the Chief Financial Officer in Local Government (2010)'. Arrangements include a robust financial planning framework.

The 2017/18 Transforming Governance Action Plan contained a number of areas for improvement and progress has been made in key areas. The IJB's Audit & Performance Committee has provided a scrutiny role over progress which can be summarized as follows:-

- To strengthen our governance framework, the Audit & Performance Committee have overseen the development of a clearer articulation of the IJB's governance and assurance arrangements.
- Increased Clinical Leadership capacity has been established.
- Significant progress has been made to increase significantly strategic planning capacity and leadership capacity for hosted services;
- To support delivery of strategic aims and ambitions, the IJB has agreed refreshed arrangements for strategic planning and the role of the Strategic Planning Group has been strengthened. At Partnership level EMT have implemented a Strategic Care Program Framework to provide the vehicle for development Strategic Delivery Plans across the 4 Care Groups with associated Financial Plans and performance frameworks.
- To support more effective management of ongoing operational and strategic business, the role of the Executive Management Team has been strengthened.
- For Large Hospital Set Aside, an effective joint planning forum has been established with NHS Tayside Acute Medicine Colleagues to develop clinical strategy.
- For hosted services, major transformation plans for Inpatient Mental Health have been approved in year and has supported significant development of clear and appropriate governance and assurance routes.

- To support future financial sustainability, a robust approach to medium term financial planning has been fully implemented across all services supported by a Budget Review Process involving IJB members. The development of the Programmes of Care Strategic Planning Framework will ensure financial planning and strategic planning are integrated.
- For Clinical Care Governance, the Clinical Director has completed an initial review and an annual reporting process for each service agreed.
- For Risk Management, a full refresh of the strategic risk profile of the IJB has been initiated and a robust mechanism for risk escalation.

Those areas identified which still require further development have been captured in the 2018/19 Transforming Governance Action Plan.

SYSTEM OF INTERNAL CONTROL

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

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

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

The wider internal control framework includes:-

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

Due to ongoing concerns during 2017, NHS Tayside has been subject to a number of internal (e.g. Internal Audit) and external (e.g. Scottish Government) reviews. A series of actions have resulted to address identified weaknesses, with further review work ongoing. Agreed actions will be monitored locally by NHS Tayside's new leadership team and nationally. A number of the weaknesses identified may have an impact on the IJB and its ability to deliver on its Strategic Objectives. In particular the IJB is reliant on strong strategic planning capacity and financial management support. As part of its own review of governance, weaknesses in both strategic leadership capacity and financial management support have been identified.

REVIEW OF ADEQUACY AND EFFECTIVENESS

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

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

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

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

In addition to regular reports to the IJB's Audit & Performance Committee during 2017/18, the Chief Internal Auditor prepares an annual report to the Audit & Performance Committee including an assurance statement containing a view on the adequacy and effectiveness of the systems of internal control.

The Internal Audit Annual Report 2016/17, received by the Audit & Performance Committee on 16 June 2017, 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 2018/19

Significant progress has been made against the 'Transforming Governance' Action Plan agreed for 2017/18. However following a full self assessment process, refreshed actions have now been set out to further strengthen the governance arrangements and these will include:-

- Development of a statement of our vision and values to be developed to become front and centre of all IJB activities moving forward.
- A refreshed annual programme of training and development for IJB Board Members to be agreed.
- An effective strategy for engaging with Perth & Kinross Council Elected members around IJB aims and objectives and the financial outlook to be developed.
- Establishment a collaborative approach to budget negotiation for 2019/20 onwards with NHS Tayside and Perth & Kinross Council.
- Further development of Strategic Delivery Plans for each Care Group including leadership arrangements, performance framework, strategy for engagement with users and carers, agreed programme budget with accountability for delivery of financially sustainable services. Role of Strategic Planning Group to be reaffirmed.

- Finalise the review of risk management and development clear escalation and reporting mechanisms.
- Review of the use of Directions.
- Development of Large Hospitals Set Aside arrangements in conjunction with NHS Tayside.
- Strengthen leadership and corporate support capacity through key appointments including Head of Business Planning and Performance.
- Agree appointment of Data Protection Officer for Perth & Kinross IJB and ensure compliance with General Data Protection Regulations.
- Work with the Director of Finance of NHS Tayside to develop an appropriate and effective level of finance support to budget holders tasked with taking forward significant redesign of services.

Progress in implementing the agreed priority improvements will be the responsibility of the Corporate Programme Board with updates provided to each meeting of the IJB's Audit & Performance Committee.

CONCLUSION AND OPINION ON ASSURANCE

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

We consider that internal control environment operating during 2017/18 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.

Stephen Hay
IJB Chair

28/9/18

Rob Packham
Chief Officer

28/9/18

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.

RESTATED 2016/17		2017/18			
Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000		£000	£000	£000
-	28,262	Community and Hospital Health Services	28,317	-	28,317
-	20,751	Hosted Health Services	20,970	-	20,970
-	28,190	GP Prescribing	28,467	-	28,467
-	35,448	General Medical/Family Health Services	39,678	-	39,678
-	17,672	Large Hospital Set aside	11,793	-	11,793
-	226	IJB Operating Costs	236	-	236
-	61,992	Community Care	65,993	-	65,993
-	192,541	Cost of Services	195,454	-	195,454
(193,927)	(193,927)	Taxation and Non-Specific Grant Income (Note 4)	-	(194,068)	(194,068)
(193,927)	(1,386)	(Surplus) or Deficit on Provision of Services	195,454	(194,068)	1,386
	(1,386)	Total Comprehensive (Income) and Expenditure (Note 3)			1,386

Whilst this statement shows a deficit of £1.386m, this is offset by a planned utilisation of reserves in year to meet planned expenditure. (As per Movement in Reserves Statement below).

GP Prescribing costs are now separately presented in the Comprehensive Income and Expenditure Statement and 2016/17 figures have been amended to reflect this change.

The 2016/17 expenditure within Community and Hospital Health Services and Community Care has been restated to reflect the resource transfer arrangements.

Large Hospital expenditure has moved significantly from prior year. This is due to a change in methodology used to establish the amount set aside. For the 2016/17 accounts, the amount of set aside was calculated at £17.672m. This was based on the net cost attributed to occupied bed days. The net cost includes both direct and overhead costs. The changed in methodology has moved to a direct cost only and therefore reduced the set aside amount to £11.793m.

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

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

BALANCE SHEET

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

31 March 2017		Notes	31 March 2018
£000			£000
1,386	Short term Debtors	5	-
1,386	Current Assets		-
-	Short-term Creditors		-
-	Current Liabilities		-
-	Provisions		-
-	Long-term Liabilities		-
1,386	Net Assets		-
(1,386)	Usable Reserve: General Fund	6	-
-	Unusable Reserve: Employee Statutory Adjustment Account		-
(1,386)	Total Reserves		-

The unaudited annual accounts were issued on 22 June 2018, and the audited annual accounts were authorised for issue on 28 September 2018.

Jane Smith
Chief Financial Officer

28/9/18

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 2017/18 financial year and its position at the year-end of 31 March 2018.

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 2017/18, supported by International Financial Reporting Standards (IFRS), unless legislation or statutory guidance requires different treatment.

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

B. ACCRUALS OF INCOME AND EXPENDITURE

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

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

C. FUNDING

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

D. CASH AND CASH EQUIVALENTS

The IJB does not operate a bank account or hold cash. Transactions are settled on behalf of the IJB by the funding partners. Consequently the IJB

does not present a 'Cash and Cash Equivalent' figure on the balance sheet. The funding balance due to or from each funding partner as at 31 March is represented as a debtor or creditor on the IJB's Balance Sheet.

E. EMPLOYEE BENEFITS

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

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

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

F. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

A review for contingent assets and liabilities has been undertaken for the IJB and none have been identified at 31 March 2018.

G. RESERVES

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

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

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

H. INDEMNITY INSURANCE

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

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

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

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

I. RELATED PARTY TRANSACTIONS

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

J. SUPPORT SERVICES

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

NOTE 2: EVENTS AFTER THE REPORTING PERIOD

The Annual Accounts were authorised for issue by the Chief Financial Officer on 28 September 2018. 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 2018, 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

RESTATED 2016/17		2017/18
£000		£000
61,992	Services commissioned from Perth and Kinross Council	65,993
130,323	Services commissioned from NHS Tayside	129,225
199	Other IJB Operating Expenditure	205
3	Insurance and Related Expenditure	3
24	External Audit Fee	28
(193,927)	Partner Funding Contributions and Non-Specific Grant Income	(194,068)
(1,386)	(Surplus) or Deficit on the Provision of Services	1,386

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

NOTE 4: TAXATION AND NON-SPECIFIC GRANT INCOME

2016/17		2017/18
£000		£000
(48,229)	Funding Contribution from Perth and Kinross Council	(46,924)
(145,698)	Funding Contribution from NHS Tayside	(147,144)
(193,927)	Taxation and Non-specific Grant Income	(194,068)

The funding contribution from NHS Tayside shown above includes £11.793m 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

2016/17		2017/18
£000		£000
1,386	Perth and Kinross Council	-
1,386	Debtors	-

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

NOTE 6: USABLE RESERVE: GENERAL FUND

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

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

NOTE 7: AGENCY INCOME AND EXPENDITURE

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

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

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

2016/17		2017/18
£000		£000
21,228	Expenditure on Agency Services	21,348
(21,228)	Reimbursement for Agency Services	(21,348)
-	Net Agency Expenditure excluded from the CIES	-

NOTE 8: RELATED PARTY TRANSACTIONS

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

Income – payments for integrated functions

2016/17		2017/18
£000		£000
48,229	Perth and Kinross Council	46,924
145,698	NHS Tayside	147,144
193,927	Total	194,068

Expenditure – payments for delivery of integrated functions

2016/17		2017/18
£000		£000
62,005	Perth and Kinross Council	66,010
130,337	NHS Tayside	129,239
199	NHS Tayside: Key Management Personnel Non-Voting Board	205
192,541	Total	195,454

This table shows that expenditure within Perth and Kinross Council is £19.086m greater than Perth and Kinross Council funding contributions. Of this £1.386m has been funded through IJB reserves with £17.7m representing IJB funding received from NHS Tayside being directed into Perth and Kinross Council. The difference compared to 2016/17 relates to new 2017/18 Scottish Government funding to support Social care being allocated to IJB's via Health Boards.

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

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

Balances with Perth and Kinross Council

2016/17		2017/18
£000		£000
1,386	Debtor balances: Amounts due from Perth and Kinross Council	-
-	Creditor balances: Amounts due to Perth and Kinross Council	-
1,386	Total	-

Balances with NHS Tayside

2016/17		2017/18
£000		£000
-	Debtor balances: Amounts due from NHS Tayside	-
-	Creditor balances: Amounts due to NHS Tayside	-
-	Total	-

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 H.M. Revenue and Customs and all VAT paid is recoverable from it. The Council is not entitled to fully recover VAT paid on a very limited number of items of expenditure and for these items the cost of VAT paid is included within service expenditure to the extent that it is recoverable from H.M. Revenue and Customs.

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

SECTION 7: INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Perth and Kinross Integration Joint Board and the Accounts Commission

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

Report on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of Perth and Kinross Integration Joint Board for the year ended 31 March 2018 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 2017-18 (the 2017-18 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017-18 Code of the state of affairs of the body as at 31 March 2018 and its income and expenditure the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017-18 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)). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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:

Independent auditor's report to the members of Perth and Kinross Integration Joint Board and the Accounts Commission (continued)

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

Responsibilities of the Chief Financial Officer and Audit and Performance Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Financial 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 Financial 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 Financial 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 Audit and Performance Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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.

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 Financial 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.

Independent auditor's report to the members of Perth and Kinross Integration Joint Board and the Accounts Commission (continued)

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.

Andrew Shaw, for and on behalf of KPMG LLP

Saltire Court,
20 Castle Terrace,
Edinburgh,
EH2 1EG

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 or paid.

Asset

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

Audit of Accounts

An independent examination of the IJB's financial affairs.

Balance Sheet

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

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Consistency

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

Contingent Asset/Liability

A Contingent Asset/Liability is either:

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

Creditor

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

Debtor

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

Defined Benefit Pension Scheme

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

Entity

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

Post Balance Sheet Events

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

Exceptional Items

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

Government Grants

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

IAS

International Accounting Standards.

IFRS

International Financial Reporting Standards.

IRAG

Integration Resources Advisory Group

LASAAC

Local Authority (Scotland) Accounts Advisory Committee

Liability

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

Provisions

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

PSIAS

Public Sector Internal Audit Standards.

Related Parties

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

Remuneration

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

Reserves

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

Revenue Expenditure

The day-to-day expenses of providing services.

Significant Interest

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

SOLACE

Society of Local Authority Chief Executives.

The Code

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



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 2018

20 September 2018

DRAFT

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About this report

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

This report is for the benefit of Perth and Kinross Integration Joint Board ("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 Andy Shaw, who is the engagement leader for our services to the IJB, telephone 0131 527 6673, email: andrew.shaw@kpmg.co.uk who will try to resolve your complaint. If your problem is not resolved, you should contact Hugh Harvie, our Head of Audit in Scotland, either by writing to him at Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG or by telephoning 0131 527 6682 or email to hugh.harvie@kpmg.co.uk. We will investigate any complaint promptly and do what we can to resolve the difficulties. After this, if you are still dissatisfied with how your complaint has been handled you can refer the matter to 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 18 September 2018.

We identified two significant risks in the audit of IJB, which are fraud risk from management override of controls and fraud risk from income revenue recognition, (which was rebutted). As documented on pages 10 and 11, we have concluded satisfactorily in respect of the significant risk 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 position

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The IJB attained an underspend against budget of £1.4 million for the year. Funding changes were made after the final outturn were agreed, such that reduced funding was received from Perth and Kinross Council, in order to deliver a break even against budget position. The Council held reserves equivalent to the underspend in an earmarked reserve at the year end.

The integration scheme states that in the event of an overspend in 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.

Financial management and financial sustainability

Page 15

The IJB faces ongoing financial pressures due to funding constraints and increasing cost pressures faced by its partners. With both partners facing overspends in their respective services, the implementation of the integration scheme may require partners to contribute further to the IJB. 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 development 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.

Outstanding matters

- [Receipt of management representation letter]
- [Draft annual report to KPMG]
- Completion of subsequent events procedures

Scope and responsibilities

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 and Ireland) issued by the Auditing Practices Board and the Code. Appendix one sets out how we have met each of the responsibilities set out in the Code.

Scope

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

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

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

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

This 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 2017-18 Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

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

IJB financial management overview

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

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

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

- where a clear error has been made in calculating the budget requisition; or
- in other circumstances agreed through a tri-partite agreement between the partners and the IJB.

During 2017-18, the IJB did not overspend against budget, and before funding adjustments from Perth and Kinross Council ('PKC') it achieved an underspend. This underspend was effectively retained by PKC and an earmarked reserve held.

From 2018-19 onwards, in the event that an overspend remains following the application of a recovery plan, use of reserves, or where the strategic plan cannot be adjusted, the overspend may be allocated based on each partner's proportionate contribution to the IJB's budget requisition for that financial year on a like for like basis. This is discussed further on page 18.



Financial position (continued)

2017-18 financial position

The annual accounts are prepared on a going concern basis. A deficit of £1.4 million was reported in the comprehensive income and expenditure statement ("CIES"), which resulted in the reserves being drawn down, giving rise to £nil reserves as at 31 March 2018.

Comprehensive income and expenditure statement

The IJB's deficit position for 2017-18 reflects use of the prior year underspend, which was held in reserves as at 31 March 2017 and is now utilised. Compared to the budget there was a £1.4 million underspend as shown in the table opposite.

An underlying overspend of £1.3 million was reported against health services where operational responsibility lies with NHS Tayside. In line with the risk sharing agreement, NHS Tayside devolved further non-recurring budget to the IJB to balance income with expenditure.

Against social care budgets, where operational responsibility lies with PKC, an underspend of £2.6 million was reported. PKC retained the underspend in year, and reduced the funding to the IJB. This resulted in an accounting deficit on the provision of services in the IJB, which was funded from the general fund. Of the £2.6 million underspend, £1.4 million will be returned to the IJB as part of the 2018-19 budget settlement and the IJB is reliant on this funding to break even. The remaining £1.2 million will be held in a PKC earmarked reserve for social care purposes.

The NHS Tayside overspend is made up of some variances:

- GP prescribing: overspend of £1.7 million. A national settlement was expected on some drug costs, however this did not materialise during 2017-18 resulting in a greater spend than budgeted. The overspend was marginally offset by lower than expected volumes.
- Inpatient mental health: overspend £0.2 million. Primarily due to the general adult psychiatry where locum spend was higher as a result of increased number of locum sessions against budget.

Expenditure	2017-18 Budget (£000)	2017-18 Actual (£000)	(Under)/ over spend
Older peoples service/physical disabilities	65,371	63,777	(1,594)
Learning disabilities	18,237	17,378	(859)
Mental health and addictions	4,943	4,958	15
Planning/management/other services	7,780	7,047	(733)
Prescribing	26,763	28,467	1,704
General medical services	23,392	23,204	(188)
Family health services	16,481	16,474	(7)
Hosted services	20,666	20,970	304
Large hospital set aside	11,793	11,793	0
Total expenditure	195,426	194,068	(1,358)
Breakdown of variance:			
Health	145,865	147,144	1,279
Social Care	49,561	46,924	(2,637)

Source: Annual Performance Report

- Hospital and community health services: underspend £0.5 million. This was due to lower utilisation of the primary care transformation funding and increased junior doctor vacancies. The underspend was partially offset by overspends in locum consulting costs in psychiatry of old aged and ongoing sickness levels in community hospitals.

Financial position (continued)

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 2017-18. The recurring baseline budget for 2017-18 included £1.3 million for the integrated care fund and £9.3 million for social care funding.

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 for the services.

In addition NHS Tayside allocates funds to PKC for the cost of social care packages, this totalled £6.25 million and was invoiced in the same way as set out above. This payment is to support PKC in delivery social care within the community for those discharged from hospital.

In total in the year there was a £17.7 million payment from NHS Tayside to PKC, this is included in Note 8: Related Party Transactions of the annual accounts.

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 annual accounts disclosure was updated in the year to better disclose the related party transactions.

Balance sheet

The £nil debtors balance at the year end arose through the planned use of reserves to deliver services in 2017-18. An agreement with PKC was not reached to carry forward the underspend to the IJB reserves resulting in no short term debtors. IJB 'cash' is held by the partner organisation due to the IJB not having a bank account, leading to a debtor to the IJB in prior years.

Balance sheet	2016-17 £000	2017-18 £000
Short term debtors	1,386	-
Net assets	1,386	-
Usable reserve : General fund	(1,386)	-
Total reserves	(1,386)	-

Source: Annual accounts 2017-18

Audit conclusions

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 2018, 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 2017-18 ("the CIPFA Code"), and in accordance with the Local Authority Accounts (Scotland) Regulations 2014. Our audit confirmed that the financial statements have been prepared in accordance with the 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 1% of cost of services expenditure. We designed our procedures to detect errors in specific accounts at a lower level of precision than our materiality. 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 27 June 2018, including the management commentary and the remuneration report.

During the audit, presentational changes were agreed with management to reflect the resource transfer between NHS Tayside and PKC.

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.

Significant risks

SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
<p>Fraud risk from management override of controls</p> <p>Professional standards require us to communicate the fraud risk from management override of controls as a significant risk; as the standards consider management to typically be in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to the audit of the IJB.</p> <p>Strong oversight of finances by management provides additional review of potential material errors caused by management override of controls.</p> <p>In line with our methodology, we carried out appropriate substantive procedures, including over funding confirmations, expenditure reports and significant transactions that are outside the entity's normal course of business, or are otherwise unusual.</p>	<p>Our work did not identify any matters that required adjustment in the financial statements or which require to be brought to your attention.</p>
<p>Fraud risk from revenue recognition</p> <p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>The IJB receives funding requisitions from Perth and Kinross Council and NHS Tayside. These are agreed in advance of the year, with any changes requiring approval from each partner body. We therefore rebutted the risk.</p>	<p>We vouched all income to confirmations from the partner bodies.</p>	<p>Income is appropriately stated.</p>

Other focus areas

OTHER FOCUS AREA	OUR RESPONSE	AUDIT CONCLUSION
<p>Completeness and accuracy of expenditure</p> <p>The Board receives expenditure forecasts from PKC and NHS Tayside as part of the annual budgeting process. There is a risk that actual expenditure and resulting funding is not correctly captured.</p>	<p>Our substantive audit obtained support for the expenditure included in PKC and NHS Tayside's accounting records. We obtained confirmations of expenditure from each of these bodies.</p> <p>We inspected the audited NHS Tayside annual accounts for 2017-18, and received written confirmation from the Head of Finance of PKC in respect of funding to, and expenditure incurred on behalf of, the IJB.</p>	<p>We are satisfied that expenditure is complete and accurate.</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>	<p>The IJB receives funding requisitions from NHS Tayside and PKC, and has a risk sharing agreement within the integration scheme with both bodies for 2017-18. This gives the IJB comfort with regards to overspends for 2017-18, however, there is a risk going forward regarding ongoing budget balance, specifically in the context of the challenging NHS and Council budgets.</p> <p>We considered the IJB's long term financial planning in detail in the wider scope section from page 14.</p>	<p>We are content that the IJB is financially sustainable given the risk sharing agreement. Further narrative included on page 17 and 18.</p>

Management reporting in financial statements

REPORT	SUMMARY OBSERVATIONS	AUDIT CONCLUSION
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.</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 2017-18 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

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 Code of Practice on Local Authority Accounting.

Financial statement disclosures were considered against requirements for the Code of Practice on Local Authority Accounting, relevant legislation and IFRS. No departures from these requirements were identified.

There were no new accounting standards adopted by the Code of Practice on Local Authority Accounting during 2017-18 which affected the IJB.

There are no significant accounting estimates other than those relating to the calculation of the pension assets and liabilities previously summarised.

Financial statement disclosures were considered against requirements of Code of Practice on Local Authority Accounting, relevant legislation and IFRS. No departures from these requirements were identified.

Future accounting and audit developments

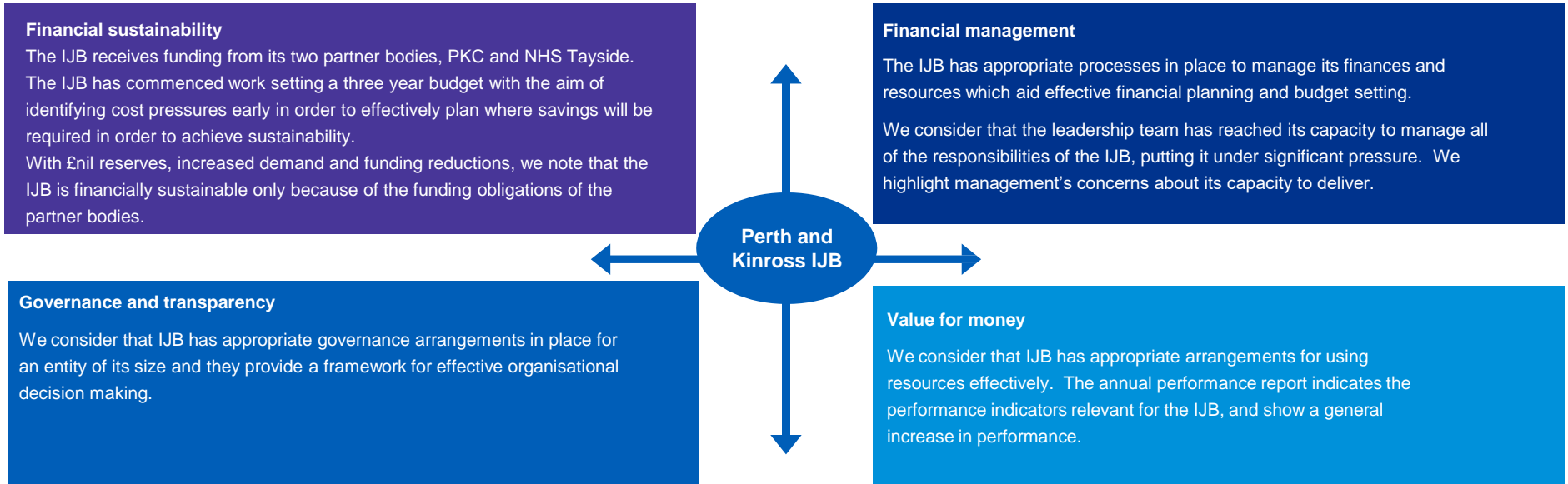
CIPFA / LASAAC consulted on amendments to the CIPFA code for IFRS 9 *Financial instruments* and IFRS 15 *Revenue from contracts with customers*. A separate publication *Forthcoming Provisions for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers in the Code of Local Practice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

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.

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.



Financial management

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

The chief finance officer is responsible for ensuring that appropriate financial services are available to the IJB and the chief officer.

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, it includes financial commentary. Ideally this should be up to the end of the previous month. We note that on 23 March 2018, the IJB was presented with financial reporting up to 31 December 2017, which was three months old. We recognise that the availability of financial information from the partners drives how quickly management can present financial reports to the Board but we recommend that more up to date information is presented by the IJB throughout the year.

Recommendation one

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.

The chief internal audit auditor concluded in the annual audit report that sufficient work was completed during the year, to enable him to conclude that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's internal control system.

At the date of issuing its opinion (15 June 2018) the chief internal auditor noted that the planned risk management review was delayed to enable internal audit to provide support in relation to the development of risk management arrangements.

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 management

Capacity and service transformation

The S95 officer is the chief finance officer, therefore has appropriate status within the IJB and access to the partner chief executive officers and Board members. The finance function consists of the chief finance officer, and other resources are used as required from PKC and NHS Tayside finance teams. The partnership accountant 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 adult 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. We discussed with management the capacity to the IJB to commit resources to identifying and implementing efficiencies. It was identified that there are capacity shortfalls that reduce the ability of management to investigate,. As the IJB does not have staff, there are challenges in obtaining resources from partners to continue transformation going forward.

Training

The Board provides induction and ongoing training for both elected members and other Board members. An induction session was held for new elected members following the May elections. This was open to all IJB members and was intended to give an understanding of the IJB and also covered governance issues such as the code of conduct and the Nolan principles.

Arrangements for the prevention and detection of fraud

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

Conclusion

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. We concur with management's assessment that further support is needed to ensure that there is adequate capacity to deliver on savings plans and effectively direct all 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

As noted in the 2016-17 annual audit report, management did not recommend the approval of the 2017-18 budget until June 2017, recognising the challenges and uncertainties that existed. The 2017-18 budget was prepared independently of the partners bodies, 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 covering 2018-19, 2019-20 and 2020-21. This budget remains in draft, however we acknowledge the good practice in developing an understanding of future cost pressures, and future assumptions that may impact on service delivery. We consider these arrangements as appropriate.

The budget for 2018-19 was approved on 23 March 2018, prior to the start of the following financial year as required.

PKC has set out its budgetary pressures to elected members; total revenue funding from the Scottish Government has decreased in real terms since 2010-11 and the Council identified savings requirements (£54.5 million) over the period from 2018-19 to 2023-24 in order to continue to provide services to meet demand. The Council's Medium Term Financial Plan allocated £2.8 million of savings to the delivery of social care for the three years from 2018-19, half of this requiring delivery in 2018-19. Initial results for 2018-19 indicate an overspend in social care, which the IJB will need to manage going forward.

NHS Tayside continues to be under acute financial pressure and received brokerage in 2017-18. There are ongoing concerns about the levels of expenditure and the pace of change of improvements and transformation, and there have been resignations at executive level. We note that the NHS Tayside Board has agreed with Scottish Government that repayment of additional funding received in prior years has been suspended, and that a break-even position in 2018-19 is deemed unlikely. Whilst the Board itself has these significant funding needs, the Scottish Government is supporting financially.

Reserves strategy

The reserves strategy was approved in March 2017, and management aspires to retain a general fund reserve of 2% of gross expenditure, or £3.9 million. The IJB holds no reserves as underspends in 2017-18 were retained by PKC, as the partner that delivered the underspend.

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 financial officer is 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 2018-19, we understand there is an informal agreement that the overspend will continue to be met by the partner with operational responsibility, however, 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

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. There are no reserves as at 31 March 2018 to draw on. 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 Council 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.

Conclusion

The IJB faces ongoing financial pressures, reflecting those faced by its partner bodies. With both partner organisations forecasting overspends in their respective services, the integration scheme may require partners to contribute further to the IJB. We remaining 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.

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. From this 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 policy's and arrangements are in place, and an improvement action was identified for any high or medium risk findings.

In March 2018, the Chief Financial Officer reported to the Audit and Performance Committee that there are differences in interpretation of legislation across the Tayside IJBs, and agreed to discuss further with the partners on the arrangements for governance and accountability within the IJB. The Chief Officer is expected to report back to the Board in September 2018. Whilst not considered high risk, there is the need for consistency of arrangements to ensure there is mutual understanding of each of the three IJBs within the Tayside region.

Internal audit

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

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. We carried out a review of the adequacy of the internal audit code of conduct and concluded that they operate in accordance with the Public Sector Internal Audit Standards and have sound documentation standards and reporting procedures.

During 2017-18, the chief internal auditor reported to the audit and performance committee that reliance can be placed on the IJB's governance arrangements and systems of internal controls for 2017-18. We concurred with these findings. We considered internal audit report findings on governance arrangements as part of our wider dimension work.

Risk management

In 2016, the three IJBs within the Tayside area agreed risk management strategy, in conjunction with their respective partner bodies. A strategic risk framework was developed (risk register) which was considered at the Audit and Performance Committee in March 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 APC 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.

Governance and transparency (continued)

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

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.

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

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.

Workforce planning

The IJB’s workforce plan is being developed, which was due to be presented to the board in June 2018, however has been delayed until September 2018.

Management is aware of the risk of a shrinking workforce, and plans are being developed that will manage the future workforce.

Recommendation three

End of public sector pay cap

The Scottish Government has stated its intention for the 1% public sector pay cap which has applied for seven years is being lifted. It is not clear when increases will take effect or how they will be funded.

To mitigate the uncertainty risk surrounding pay increases the IJB included in its five year plan an assumption that the pay increases announced for NHS staff will be similar to that agreed for council staff.

Conclusion

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

We propose a recommendation in relation to the workforce plan.



Appendices

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; - 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.

There were no non-audit services provided during the year to 31 March 2018.

Independence and objectivity considerations relating to other matters

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

Confirmation of audit independence

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








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








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

Yours faithfully,

KPMG LLP

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 2018
Adjusted audit differences	 Our summary of adjusted audit differences are highlighted in appendix four.
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	 None.
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.

Action plan

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. 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>

Action plan (continued)

Finding(s) and risk(s)	Recommendation	Agreed management actions
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>
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>

Prior year recommendations

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	3	-	-

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. GP Prescribing budget	Grade one		
<p>During the 2017-18 budget setting the board was informed that the Chief Finance Officer could not recommend approval of the budget proposition from NHS Tayside for GP prescribing. As at August 2017 there is still no approved 2017-18 GP prescribing budget or an agreed action plan to form a sustainable budget.</p> <p>Risk: The Board may be forced to use underspends from other areas to bridge the gap in the GP prescribing budget. This is not sustainable and there is a risk that the other services would be reduced as a result.</p>	<p>A budget for GP prescribing in 2017-18 should be finalised. In forming it the IJB should meet with NHS Tayside and agree a strategic action plan to address the prescribing spend. A sustainable prescribing position needs to be formed and the 2018-19 GP prescribing budget should be agreed before the start of the financial year.</p>	<p>Management response: Agreed. The Chief Officer and Chief Finance Officer have written to both Parent Bodies asking for a formal discussion to take place around the sufficiency of the GP Prescribing budget and the implications for risk sharing arrangements moving forward.</p> <p>Responsible officer: Chief Officer and Chief Finance Officer</p> <p>Implementation date: October 2017</p>	<p>Implemented</p> <p>We reviewed the budget setting for 2018-19 and identified that the full budget, including GP prescribing, was approved before the start of the financial year.</p> <p>We note that prescribing overspends are faced across Scotland, and ongoing discussion between the IJB and NHS Tayside will be required to manage these financial pressures.</p>

Prior year recommendations (continued)

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions	Status
2. Financial Management; Reporting of financial position to the IJB	Grade two		
<p>The IJB produces a finance update for each IJB meeting. The update presents information on IJB and Partnership year end over/under spend forecast, a summary of savings planned and savings booked and narrative to support to figures. The base budget position is not reported, only the over/under spend forecast against the budget.</p> <p>Risk: IJB members are not able to track spending in year against budget and identify significant over spends in order to implement savings plans.</p>	<p>The financial update should present the base budget position and variance year to date against this base budget position. This would allow appropriate levels of scrutiny over balances depending on the level of variance reported against budget.</p>	<p>Management response: Agreed. The base budget position will now be incorporated as part of routine monthly reporting.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Implementation date: October 2017</p>	<p>Implemented</p> <p>We reviewed minutes of the IJB throughout the year and identified that the base budget position is now reported.</p>
3. Partnership accountant post	Grade two		
<p>The partnership accountant provides significant support to the day to day financial management and control within the IJB. The position is on a fixed term basis which ends in July 2018.</p> <p>Risk: Without the role of partnership accountant the CFO will have less time to focus on higher level strategic decisions, as a result of having to spend time on the operational running of the IJB.</p>	<p>It is recommended that a longer term solution is approved, either through a permanent post or extension of the temporary one with enough notice to enable the CFO to plan activities.</p>	<p>Management response: Agreed. The Chief Financial Officer is taking all necessary steps to ensure this key post is appointed to on a permanent basis.</p> <p>Responsible officer: Chief Financial Officer</p> <p>Implementation date: September 2017</p>	<p>Implemented</p> <p>During discussion with management, we were advised that this key post had been made permanent.</p>



The contacts at KPMG in connection with this report are:

Andy Shaw

Director

Tel: 0131 527 6673

andrew.shaw@kpmg.co.uk

Natalie Dyce

Manager

Tel: 0141 300 5746

natalie.dyce@kpmg.co.uk

Christopher Windeatt

Assistant Manager

Tel: 0131 451 7738

christopher.windeatt@kpmg.co.uk



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

Enquiries to
 Extension/Direct Line:
 Email
 Your Ref
 Our Ref
 Date

Jane Smith
 59557 / 01738 459557
janemsmith@nhs.net

JMS/PJ
 28 September 2018

KPMG LLP
 Saltire Court
 20 Castle Terrace
 Edinburgh
 EH1 2EG

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Perth and Kinross Integration Joint Board ("the Board"), for the year ended 31 March 2018, for the purpose of expressing an opinion:

- i. as to whether these financial statements, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, give a true and fair view of the state of the Board's affairs as at 31 March 2018 and of the Board's income and expenditure for the financial year then ended;
- ii. whether the Board financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18; 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 2014, and the Local Government in Scotland Act 2003.

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

I confirm that the representations I make in this letter are in accordance with the definitions set out in the Appendix to this letter.

I confirm that, to the best of my knowledge and belief, having made such inquiries as I considered necessary for the purpose of appropriately informing myself:

Financial statements

1. I have fulfilled my 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 income and expenditure for that financial year;
- ii. have been properly prepared in accordance with IFRSs as adopted by the EU, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ; and
- iii. 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.

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

2. Measurement methods and significant assumptions used by myself 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. I have provided you with:

- access to all information of which I am 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. I confirm the following:

- i) I have disclosed to you the results of my 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) I have disclosed to you all information in relation to:

- a) Fraud or suspected fraud that I am 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, I acknowledge my responsibility for such internal control as I determine necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

7. I have 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. I have disclosed to you and have 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. I have disclosed to you the identity of the Board's related parties and all the related party relationships and transactions of which I am 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 I understand them and as defined in IAS 24.

10. I confirm 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

Yours faithfully,

Jane Smith
Chief Financial Officer

Appendix to the Board Representation Letter of Perth and 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.



AUDIT & PERFORMANCE COMMITTEE

20 September 2018

2018/19 FINANCIAL POSITION

Report by Chief Financial Officer (Report No. G/18/130)

PURPOSE OF REPORT

The purpose of this report is to provide a summary of the issues impacting on the financial position of Perth and Kinross IJB in 2018/19, based on the 4 months to 31st July 2018.

1. BACKGROUND

In the Finance Update to the IJB in June 2018, a summary was provided of the high level financial risks likely to impact on the 2018/19 financial position. These were quantified broadly at £4.1m and were predominantly driven by an emerging pressure on complex care, anticipated shortfall in savings delivery within Social Care and unresolved gaps in the financial plan for GP Prescribing and Inpatient Mental Health.

2. 2018/19 FINANCIAL POSITION

Based on the four months to 31st July 2018, the IJB is forecasting an overspend of £3.2m. This is lower than our forward look and key areas of overspend are as follows:-.

A £1.4m overspend is forecast within Social Care driven predominantly by Complex Care Pressures (£1.1m) and an unanticipated increase in demand for Older Peoples Services including Care at Home and Interim Placements (750k). Against a target of £4.6m, savings of £4.2m are anticipated to be delivered, a shortfall of £462k. These overspends are being partially offset by largely non-recurring income benefits and slippage.

Within Family Health Services, GP Prescribing is forecasting an overspend of £830k. This is in line with plan as it does not yet reflect actual year to date expenditure,

Hosted Services across Tayside are forecasting an overspend> The Perth and Kinross IJBs share of that overspend is £832k. This is most significantly driven by a £530k share of a £1.6m forecast overspend on Inpatient Mental health Services. Overspends are also being forecast in Out of Hours Services, Palliative Care and Brain Injury Services which are hosted by Angus IJB and Dundee IJB respectively.

The detailed Financial Update for 2018/19 is provided at Appendix 1. Significant efforts continue to be made across all areas to improve the financial forecast.

The risk sharing arrangement within the Integration Scheme, agreed with Perth & Kinross Council and NHS Tayside, states that partners may increase payment in-year to the IJB, for supplementary allocations in relation to Integrated Functions that could not have reasonably been foreseen at the time that the IJB budget for that year was agreed. The Chief Officer is taking this forward as part of wider recovery plan discussions.

2018/19 is the third year of the IJB. The Integration Scheme sets out that for the third year and onwards the overspend may be allocated on a proportionate basis. Informal discussions have concluded that this option may not be taken for year 3 and that the overspend will be met by the partner with operational responsibility. Formal agreement of this is required.

3. RECOMMENDATIONS

It is recommended that the Audit and Performance Committee:-

- (i) Note the forecast financial position for 2018/19 and the potential implications for both NHS Tayside and Perth & Kinross Council.
- (ii) Ask the Chief Officer to seek formal agreement from Perth & Kinross Council and NHS Tayside on the risk sharing arrangements for 2018/19.

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

APPENDIX

1. Financial Update for 2018/19



AUDIT & PERFORMANCE COMMITTEE

20 September 2018

2018 19 YEAR END FORECAST

Report by Chief Financial Officer

1. OVERALL SUMMARY

The year end forecast based on the year to date position as at 31st July 2018 is set out in Table 1 below.

Table 1 Summary Year End Forecast as at 31st July 2018

	Budget 2018/19	Base	Savings	Total Partnership*	Total IJB**		2017/18 Year End Total IJB
	As at 31st July 2018	Forecast Over/(under) spend	Forecast Over/(under) spend	Forecast Over/(under) spend	Forecast Over/(under) r) spend		Forecast Over/(under) spend
	£000	£000	£000	£000	£000		£000
Social Care Services	49,261	837	576	1,413	1,413		(2,637)
Hospital & Community Health Services	47,960	(144)	144	0	0		(533)
Family Health Services	66,161	943	0	943	943		1,509
Hosted Services	29,972	1,215	408	1,623	832		303
Sub-total Health Care				2,566	1,775		1,279
Total				3,979	3,188		(1,358)

*The Partnership forecast includes services hosted by Perth and Kinross on behalf of Tayside IJBs.

**The IJB forecast represents the position after a share of all Tayside hosted services are recharged to and from the other Tayside IJBs.

Further analysis and commentary on the underlying financial position across each key service area including savings delivery is set out in the sections below.

2. SOCIAL CARE SERVICES

The forecast year end overspend for Social Care is £1.413m.

The forecast overspend can be broken down as follows:

➤ Savings £576k

The IJB's Transformation and Efficiency Programme for 2018/19 included £4.62m of savings to be delivered from Social Care Services of which £4.24m is forecast to be delivered on a full year basis. This is a very challenging programme with a number of risks and this level of delivery would be a very significant achievement. There are however areas of shortfall as set out in the Table below.

	Shortfall 2018/19 £000	Shortfall Full Year £000
Procurement & IT Workforce/Plan	306	306
Review of Residential Care	196	0
Review of Complex Care Packages	74	74
Total	576	380

For Procurement and Workforce savings, at this stage despite close working with PKC Procurement and IT colleague's limited opportunity has been identified.

For the review of Residential Care, delay in approval by the IJB has resulted in a level of slippage in 2018/19 which will be resolved on a full year basis.

The savings identified for the review of Complex Care Packages are £74k below target.

The Shifting the Balance/Carer Support proposal, approved by the IJB in March 2018, set out our intention to reduce demand for Care Home Placements (84 placements) through investment in carers support. Investment of £704k was ring fenced for this purpose. Based on current levels of demand, it is anticipated that a reduction of 61 placements can be delivered, a shortfall of 23 placements.

In parallel to the investment in Carers Support of £704k, the 2018/19 IJB budget set aside £535k to meet the requirements of the Carers Act. Of the combined investment pot of £1.239m, £818k is forecast as required on a recurring basis to deliver anticipated services for both the Carers Support Project and implementation of the Carers Act. The Executive Management Team has agreed that the uncommitted budget of £421k, arising

from economies of scale in the joined up investment strategy, can be reinstated to the placements budget. This will offset the shortfall in 23 beds required to meet the revised target of 61 placements.

The 2018/19 Transformation and Efficiency Programme assumed increased recurring income (£400k) from PKC's decision to the review of COSLA thresholds. PKC have decided to defer this implementation. It has been agreed that PKC will cover the £400k shortfall in anticipated income in 2018/19 from PKC reserves. The Draft Financial Plan for 2019/20 assumed a further increase in income of £400k and therefore on a full year basis, a gap of £800k will require to be considered as part of the 2019/20 Financial Planning Process.

➤ **Overspend on Base Budget £837k**

Key drivers of the overspend are as follows:

- £1.165m forecast overspend across Learning Disabilities and Mental Health Residential Placements and Community Packages. The service is experiencing an increase in both the number of clients and care needs.
- Within Older People and Physical Disability services a £325k overspend in Care at Home and a £260k overspend in Direct Payments are being forecast due to higher demand than anticipated.
- A £425k forecast spend on Interim Placements. These short term placements in Care Homes are used for clients that are awaiting care at home packages, step up or step down care or for clients ready for discharge from hospital but awaiting a care home of their choice. No recurring budget exists for this service provision.
- An overspend is being forecast against Occupational Therapy and the Joint Equipment Loan Store. This is due to and increased demand for adaptations (£161k) and unmet slippage targets within staff costs (£63k). Within Physical Disability residential and nursing placements a £103k overspend is being forecast based on increasing client numbers and increasing needs.

These are being partially offset by underspends as follows::

- A review of prior year surplus from a provider has driven a forecast one off underspend of £268k. A review of current year payments to reflect occupancy levels is also forecasting an underspend at £178k.
- A £244k underspend within Supported Living funding for three high cost complex care packages. This is due to a delay in implementation of the project.
- The Care at Home overspend as set out above is being offset through non-recurring underspends driven by vacancies within the internal HART teams (£378k).
- Local Authority Care Homes are forecasting an underspend of £182k. This is due to actual income being higher than forecast.
- A number of underspends (£416k) across services resulting from staff vacancies, uncommitted budgets and additional non-recurring income.

3. HOSPITAL & COMMUNITY HEALTH SERVICES

Overall Hospital and Community Health Services are forecasting to breakeven in 2018/19. Within this position there are a number of over and underspends. The key areas of overspends are:

- £183k forecast overspend for Community Hospitals in the South Locality. They continue to experienced high levels of sickness absence and incremental drift pressures.
- £75k within Occupational Therapy services due to delay in implementation of savings plan.
- £43k forecast overspend on supplies within the Joint Equipment Loan Store due to increasing demand.
- £144k of savings yet to be delivered, work is ongoing with managers to realise these savings for the month 5 position.

The overspend is forecast to be offset by underspends in the following key areas:

- £170k underspend within Community Mental Health Services and Adults Mental Health and Wellbeing, mainly driven from vacancies within teams.
- £163k forecast for Community Hospitals in the North Locality due to the non-recurring benefit from the non-operational status of Aberfeldy Community Hospital.
- £94k underspend in Management and Administration/Clerical budgets is being forecast, mainly due to vacancies.
- The current forecast includes a benefit of £65k due to Medical trainee vacancies, however this position may change significantly once the new Doctor rotations are known and budget is transferred to the required area.

4. FAMILY HEALTH SERVICES (INC GMS AND PRESCRIBING)

The year-end forecast for Family Health Services can be broken down as follows:

Service	Forecast Overspend
	£000
Prescribing	826
GMS/FHS	117
Total	943

The year-end forecast overspend for GP Prescribing provided by NHST Finance is based on adjusted plan rather than actual expenditure. It is hoped that the month 5 forecast will reflect actual expenditure to 30 June 2018 and will take account of progress to date in implementing savings plans and other known risk factors including a significant anticipated detrimental impact of a national agreement on the price of Pregabalin.

The year-end forecast overspend for GMS/FHS relates to the sharing of the cost of 2C GP Practices in Angus IJB and Dundee IJB for which there is no budget and for which the costs are currently apportioned across all 3 Tayside IJB's. The fairness and equity of this treatment is under discussion with the NHS Tayside Strategic Director of Finance.

5. HOSTED SERVICES

Overall across all NHS Tayside hosted services an overspend of £832k is forecast for the year end. The key drivers of this are as follows:

- An overspend of £1.587m is forecast on Inpatient Mental Health Services (hosted by Perth and Kinross Health and Social Care Partnership), of which Perth and Kinross IJB's share is £532k. This is driven by undelivered savings carried forward from previous years, medical locum costs and nursing costs in General Adult Psychiatry. Plans to reduce and offset costs are not yet impacting. This includes savings anticipated from Mental Health Learning Difficulties Inpatient Transformation Programme against which slippage is now anticipated
- An overspend of £475k is anticipated on Out of Hours Services (hosted by Angus Health and Social Care Partnership) of which Perth and Kinross IJB share is £177k. This is driven by retrospective funding issues from 2017/18, the 2018/19 effect of those issues, lack of clarity regarding Scottish Government funding and to date only partial implementation of recovery actions.
- An overspend of £331k is anticipated within Palliative Care and Brain Injury Services (hosted by Dundee Health and Social Care Partnership) of which Perth and Kinross IJB's share is £111k This is driven by higher than budgeted drugs spend and the impact of the decision to increase nursing staff levels.

7. PARTNERSHIP FUNDING

During 2018/19, in addition to budgets from Parent bodies, the Perth and Kinross IJB will receive additional recurring funds directly from Scottish Government. These funds are passed through NHS Tayside to the Health and Social Care Partnership.

The Recurring Funding for 2018/19 is as follows:

	2018/19 Budget £000	Update/Action
Primary Care Improvement Funding	1,249	A separate paper to the IJB sets out proposed spending plans. (Lead Hamish Dougall, Clinical Director)
Alcohol and Drug Partnerships Funding	464	This funding was confirmed at the end of August and work is now underway through the Perth & Kinross Alcohol and Drugs Partnership to agree

		priorities for spend. (Lead Evelyn Devine Head of Health / Clare Mailer Chair of PKADP)
Mental Health Strategy (Action 15) Funding	300	An initial submission has been made to the Scottish Government and detailed work is now underway to determine priorities. (Lead Kenny Ogilvy Strategic Lead Mental Health & Wellbeing)
Out of Hours Funding	137	The Perth and Kinross Health and Social Care Partnership Primary Care Board will agree in draft the plans at its meeting on 31 st August 2018 (Lead Hamish Dougall Clinical Director)
Total	2,150	

Updates on all funding above will be provided at future meetings. These budgets are not yet included in the IJB Budget and as such are not reflected in the Year End Forecast.