



## **PERTH AND KINROSS INTEGRATION JOINT BOARD**

### **AUDIT & PERFORMANCE COMMITTEE**

**16 SEPTEMBER 2019**

### **ANNUAL ACCOUNTS 2018/19**

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

#### **PURPOSE OF REPORT**

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

#### **1. BACKGROUND**

On 26th June 2019 the IJB approved the Unaudited Annual Accounts for 2018/19. The Unaudited Annual Accounts for 2018/19 were then submitted to Audit Scotland on 28 June 2019. The Annual Accounts were prepared in accordance with the 2018 CIPFA Code of Practice on Local Authority Accounting ('the code'). These accounts also comply with the Local Authority Accounts (Scotland) Regulations 2014. The Unaudited Annual Accounts were available for public inspection between 1 July and 19 July (inclusive). KPMG, the IJB's external auditors, received no objections during this period.

#### **2. ANNUAL ACCOUNTS 2018/19**

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

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

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

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

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

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

### 3. CONCLUSION AND RECOMMENDATIONS

It is recommended that the Audit & Performance Committee:

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

#### Author(s)

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

#### Appendices

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