

**Title/Subject:** Falkirk IJB Audited Annual Accounts 2016/17  
**Meeting:** Integration Joint Board  
**Date:** 6 October 2017  
**Submitted By:** Chief Finance Officer  
**Action:** For Decision

## 1. INTRODUCTION

- 1.1 The purpose of the report is to present the Audited Accounts of the Falkirk Integration Joint Board (IJB) for the year to 31 March 2017.

## 2. RECOMMENDATION

The IJB is asked to:

- 2.1. consider and approve the Audited Annual Accounts of the Falkirk IJB to 31 March 2017.

## 3. BACKGROUND

- 3.1. The Local Authority Accounts (Scotland) Regulations 2014 require the IJB to submit annual accounts to our External Auditor (Ernst & Young) no later than 30 June following the financial year to which the accounts relate. Following the audit process the IJB, or a Committee of the IJB must meet to consider the audited Annual Accounts and approve these accounts for signature. The Audit Committee has already approved the accounts and recommended the accounts be submitted to the IJB.

## 4. CONSIDERATIONS

- 4.1. The annual accounts of the IJB have now been audited and are included as Appendix 1. The auditor's certificate is free from qualification.
- 4.2. Copies of the accounts will be posted on the NHS Forth Valley and Falkirk Council websites and their availability advertised in the local press.

## **5. CONCLUSIONS**

- 5.1. The annual accounts were submitted to our External Auditors, Ernst & Young, in compliance with the statutory timescales. The audit has been completed and the accounts are free from qualification.

### **Resource Implications**

There are no resource implications arising from the report recommendations.

### **Impact on IJB Outcomes and Priorities**

The production and audit of annual accounts is a statutory requirement of the IJB.

### **Legal & Risk Implications**

There are no legal or risk implications arising from the report recommendations.

### **Consultation**

No consultation is required on this report. The audited accounts will be available online.

### **Equalities Assessment**

There are no equality implications arising from the report recommendations.

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Approved for submission by: Patricia Cassidy, Chief Officer

**Author** – Amanda Templeman, Chief Finance Officer

**Date:** 15 September 2017

### **List of Background Papers:**

Appendix 1: Falkirk Integration Joint Board Annual Accounts 2016/17



Falkirk  
Health and Social Care  
Partnership

# Falkirk Integration Joint Board

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**ANNUAL ACCOUNTS**  
2016/17



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## Management Commentary

### Introduction

The Public Bodies (Joint Working) (Scotland) Act 2014 was passed by the Scottish Parliament on 25 February 2014 and received Royal Assent in April 2014. This established the framework for the integration of health and adult social care in Scotland, to be governed by Integration Joint Boards (IJBs) with responsibility for the strategic planning of the functions delegated to it and for ensuring the delivery of its functions through the locally agreed operational arrangements.

Following approval from Falkirk Council and the Forth Valley Health Board (NHS Forth Valley), the Integration Scheme, the formal legal partnership agreement between the three constituent organisations, was submitted to Scottish Ministers on 24 June 2015. On 3 October 2015 Scottish Ministers legally established the Falkirk Integration Joint Board.

On 1 April 2016 health and social care functions per the Integration Scheme were formally delegated to the IJB. Therefore, financial year 2016/17 represents the first full year of operations for the Falkirk IJB. This delegation of functions and services in scope means the IJB taking responsibility for the strategic planning and commissioning of adult social care service provision, of Community and Family Health Services relating to in-scope functions, and for large hospital services planning with partners who will continue to manage and deliver the services as part of the pan Forth Valley structures.

This publication contains the financial statements for the financial year from 1 April 2016 to 31 March 2017.

### Falkirk Health and Social Care Partnership Strategic Plan

Falkirk IJB agreed its Strategic Plan 2016-2019 on 24 March 2016. The Strategic Plan sets out the Partnerships strategic vision 'To enable people to live full, independent lives within supportive communities'.

The key issues for the Falkirk area detailed in the Strategic Plan are:

- there is an ageing population
- there are growing numbers of people living with long term conditions, multiple conditions and complex needs
- early intervention and prevention can make a difference
- support for carers
- workforce
- deprivation, housing and employment

The plan details how the partnership will prioritise services in response to the key issues for the Falkirk area and is supported by a Joint Strategic Needs Assessment (JSNA).



## Principal Activities

During 2016/17 the key activities of Falkirk IJB included:

- Issuing of Directions to Falkirk Council and NHS Forth Valley for their respective delegated functions from 1 April 2016, as set out in the Integration Scheme. The Directions are the mechanism by which the IJB instructs the constituent authorities to carry out the delegated functions. These documents set out how the IJB expect the constituent bodies to deliver each function, and spend IJB resources, in line with the Strategic and Financial Plans.
- Developing and agreeing a strategic whole systems approach to delivery of health and social care services including a frailty pathway, discharge to assess and development of Reablement services.
- Establishing and further developing financial, risk and performance reporting frameworks as part of the corporate governance arrangements for the Integration Joint Board.
- Developing the IJBs relationship with the Falkirk Community Planning Partnership through representation by the Chief Officer and an IJB member on the Community Planning Leadership Board and having oversight of the Strategic Priority for 'Mental Health and Wellbeing' and the local outcome on 'People Live Full, Independent and Positive Lives within Supportive Communities' within the Strategic Outcomes Local Delivery (SOLD) plan.
- Establishing and agreeing terms of reference for the IJB Audit Committee
- Agreeing a Market Facilitation Plan
- Preparation and Approval of a 2017/18 IJB Business Case in line with national guidance setting out, based on best information at that point in time, demand and cost pressures and efficiency and savings proposals.
- Undertaking a review of the utilisation and effectiveness of deployment of Partnership Funding allocated to the partnership from Scottish Government.
- Implementing the Scottish Living Wage in Adult Social Care
- Approving service changes in relation to Learning Disabilities and Mental Health Services in line with the priorities of the Strategic Plan
- Approving Joint Commissioning arrangements for Advocacy Services
- Agreeing the budget for financial year 2017/18 taking account of the challenging financial environment facing the constituent authorities and the Partnership



## 2016/17 Annual Accounts

The Accounts report the financial performance of the IJB. Its main purpose is to demonstrate the stewardship of the public funds which have been entrusted to us for the delivery of the IJB's vision and its core outcomes as expressed within the Strategic Plan. The requirements governing the format and content of local authorities' annual accounts are contained in The Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2016/17 Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2016/17 and the Local Authority Accounts (Scotland) Regulations 2014.

The IJB was established on 3 October 2015. Commissioning of integrated health and adult social care services did not commence until 1 April 2016. Consequently the 2016/17 financial year is the first fully operational financial year for the IJB and the figures in the Accounts reflect this.

## 2016/17 Financial Outturn

The Partnership has faced significant financial challenges in its first full year of operations. The 2016/17 budget delegated to each partner recognised that significant savings were required for the year. The budget delegated to Falkirk Council and approved by the IJB on 24 March 2016 included a savings requirement of £1.620m for 2016/17. A report to the IJB on 3 June 2016 noted that savings of at least £2.918m were required on the budget delegated to NHS Forth Valley. However, the report recognised that further savings may be required.

In June 2016 the IJB noted work being carried out as part of a budget recovery plan, as required by the IJB's Integration Scheme. The budget recovery plan recognised significant pressures being projected for Adult Social Care Services and agreed to allocate up to £1.896m of Integration Funding to cover the pressures.

The main pressures facing Adult Social Care throughout the year were:

- A shortfall in the delivery of savings
- Demand for 24 hour care packages
- Demand for home care packages

It was also noted throughout the year that NHS Forth Valley was facing significant pressures. The main areas of challenge were:

- A shortfall in the delivery of savings
- Prescribing
- Complex care

The IJB received updates on the budget pressures throughout the course of the year. At the year end, some of the pressures on the budgets delegated to Falkirk Council had been mitigated and of the £1.896m provisionally set aside, only £1m was required.

The Comprehensive Income and Expenditure Statement shows a surplus in the year of £4.841m. £4.306m of this surplus represents funding from the Scottish Government which has not been spent yet. To ensure the best impact of this funding, it has been placed in reserves for future use.



A summary of the position is shown below:

	<b>£m</b>
Total Resources Available	212.630
Total Expenditure	(207.739)
<b>Sub Total</b>	<b>4.891</b>
Scottish Govt Funding Transferred to Reserves	(4.306)
<b>2016/17 Financial Outturn</b>	<b>0.585</b>

	<b>£m</b>
2016/17 Financial Outturn	0.585
Less Amount Set Aside for Bad Debt Provision	(0.050)
Less Amount Set Aside for Sensory Strategy	(0.047)
<b>Sub Total</b>	<b>0.488</b>
Less Amount Ring Fenced for Housing Revenue	(0.275)
<b>Amount to General Reserves</b>	<b>0.213</b>

The report to the IJB on 16 June 2017 presented a net overspend in year of £0.103m. This figure is made up as follows:

	<b>£m</b>
Underspend on budgets delegated to Falkirk Council	(0.585)
Overspend on budget delegated to NHS Forth Valley	0.688
<b>Net Overspend</b>	<b>0.103</b>

However, NHS Forth Valley provided non-recurring funding of £0.688m to match the overspend in year. As a result, the financial outturn was represented by the underspend on the budgets delegated to Falkirk Council.

## Performance

The IJB continues to develop a performance management culture throughout the Partnership. A significant amount of progress has been made over the year in the development of performance management and reporting arrangements following the approval of the IJB's Performance Framework in March 2016.

The IJB now receives a performance report at each meeting which along with financial reporting gives a rounded view of the overall performance and financial sustainability of the partnership. The triangulation of key performance indicators, measureable progress in delivering the priorities of the strategic plan and financial performance is regarded as forming the cornerstone of demonstrating best value.

The Public Bodies (Joint Working) (Scotland) Act 2014 specifies that a performance report must be produced by the IJB to ensure that performance is open and accountable. In August 2017, the IJB approved the Annual Performance Report for 2016/17.

The 2016/17 Annual Performance Report sets out progress to date against the five local outcomes that the Falkirk IJB agreed in its Strategic Plan. Overall the report highlights the progress being made to date, recognising that transformational change takes a number of years to achieve. In the first year of the IJB, work has focussed on building the foundations for change by putting in place a robust governance framework, gaining a good understanding of our current health and social care system by working with partners, service users and carers to help focus on key areas of good practice as well as identifying areas for improvement and transformational change. This work will be and is being used to plan ahead.



## Financial Outlook, Risks and Plans for the Future

The initial 2017/18 Revenue Budget agreed by the IJB on 30 March 2017 set out the key financial risks and significant challenges for the year, including the identification and delivery of sufficient savings and efficiency programmes to produce a balanced budget position, and the requirement for a budget recovery plan to be brought forward.

In order for the partnership to achieve financial balance in 2017/18, savings of c£5.7m would be required – £2m on the budgets delegated to Falkirk Council and £3.7m on the budgets delegated to NHS Forth Valley. Identification and deliver of these savings, particularly on the NHS side is expected to be challenging. Falkirk Council has identified £2m of savings.

The Partnership has a significant financial challenge ahead to deliver improved outcomes for patients/service users, unpaid carers and communities in a climate of growing demand with finite resources.

Additional pressures arise from the need to balance the financial position at the same time as efforts have continued to align service delivery with the changes required to implement the Strategic Plan priorities and key local and national performance indicators with resources available.

Additional funding of £250m was allocated by the Scottish Government for Health and Social Care Partnerships for 2016/17 with a further £107m being allocated in 2017/18 to help address cost pressures in social care including the impact of changes in demography, implementation of the Scottish Living Wage, disregard war pension income from financial assessments for care packages and preparation for the implementation of the Carers Act from 1 April 2018.

Pressure continues on public sector expenditure at a UK and Scottish level with further reductions in government funding predicted over the coming years.

The expanding fiscal responsibilities of the Scottish Parliament means that ongoing public expenditure in Scotland will be more directly affected by the performance, and therefore tax revenues, of the Scottish economy.

In addition to economic performance, other factors will influence the availability of funding for the public sector including, notably, the ongoing economic uncertainty in relation to the UK's decision to leave the European Union (EU) commonly referred to as 'Brexit'.

The most significant risks faced by the IJB over the medium to longer term can be summarised as follows:

- Continued economic uncertainty, and resultant effect on public spending, in the wake of the result of the UK's decision to leave the European Union(EU)
- Increasing demand for and cost of health and social care services linked to demographic change including an ageing and increasing population with multiple and complex long term conditions; linked to this is the risk of additional service demand linked to implementation of the Carers Act from April 2018
- The health inequalities between the affluent and more deprived areas and the challenges of deprivation, housing and employment;



- The wider financial and economic environment, with significant ongoing restraint in public expenditure anticipated in future years;
- The need to maintain and improve the quality of services and improve outcomes for service users, unpaid carers and communities; and
- Workforce challenges including the ageing workforce and issues around recruitment and retention of elements of the health and social care workforce.

Integration is an opportunity for the IJB to use combined resources in a more effective, efficient and person-centred way, to make better use of public resources and avoid duplication of effort.

There is an increased demand on services that will exceed available resources if we do not work together in a more integrated way. The Partnership will continue to adopt a whole-systems approach to improve health and social care outcomes and will work alongside Community Planning partners to address these wider issues. This will ensure a joint contribution to encouraging, supporting and maintaining the health and wellbeing of people who live in our community.

It is recognised that if there are no changes to the way that services are planned and delivered with partners across all sectors, current service provision will not be sufficient to meet the future health and social care needs of the population. We must therefore embed new ways of working and seek to focus resources away from expensive bed based models of care into community based services. We need to critically appraise and challenge our current models of service delivery to ensure our combined resources are focused on areas of greatest need delivering the best outcomes to our service users and patients, and that crucially we harness the capacity of local communities to support the wider preventative, health and wellbeing outcomes.

The IJB's Strategic Plan describes our plans for the future, and how we will move towards delivering on our priorities, setting out the context, challenges, priorities and action plans for the new Health and Social Care Partnership for the period 2016-2019.

The Partnerships strategic plan and associated documents can be accessed here:

<https://nhsforthvalley.com/about-us/health-and-social-care-integration/falkirk/consultation-feedback/>

### **Audit Arrangements**

The statement of Accounts is subject to audit in accordance with the requirements of Part VII of the Local Government (Scotland) Act 1973. The auditor appointed for this purpose by the Accounts Commission for Scotland is Ernst & Young.

### **Conclusion**

In this first year of operations the Partnership has taken responsibility for delegated functions and made significant further progress in the planning and delivery of the Partnerships' Strategic Plan.

Going forward, the Falkirk Health and Social Care Partnership will continue to face significant financial challenges in delivering better outcomes for its patients and service users, in line with its Strategic and Financial Plans, in a climate of growing demand within finite resources.



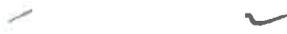
In order to achieve this we must continue to identify and implement more innovative ways to deliver customer focused services cost effectively, by driving service improvement and organisational change within the Partnership through a structured approach to managing change, optimising the use of change and improvement competencies and developing and sharing best practice throughout the Partnership.

We will continue to work with staff, managers, services, partners and our communities to lead and support service redesign reviews, to identify and implement innovative, cost effective and person centred, outcomes focused service delivery models and pathways, and contribute to the delivery of the Partnership's Strategic Plan within resources available.

### Where to Find More Information

If you would like more Information please visit our webpage at:

<https://nhsforthvalley.com/about-us/health-and-social-care-integration/falkirk/>

  
**Julia Swan**  
Chair

14 September 2017

  
**Patricia Cassidy**  
Chief Officer

14 September 2017

  
**Amanda Templeman**  
Chief Finance Officer

14 September 2017



## Statement of Responsibilities

### 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 Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- Approve the Annual Accounts.

I confirm that these Annual Accounts were approved for signature at a meeting of the Audit Committee on 13 September 2017.

Signed on behalf of the Falkirk IJB

**Julia Swan**  
Chair

14 September 2017



### **Responsibilities of the Chief Finance Officer**

The Chief Finance 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 Finance Officer has:

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

The Chief Finance 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 Falkirk Integration Joint Board as at 31 March 2017 and the transactions for the year then ended.

**Amanda Templeman**  
Chief Finance Officer

14 September 2017



## 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 auditors to ensure it is consistent with the financial statements.

### **Voting Membership of the IJB in 2016/17**

Voting members of the IJB constitute Councillors nominated as Board members by constituent authorities and NHS representatives nominated by the NHS Forth Valley. The voting members of the Falkirk IJB were appointed through nomination by Falkirk Council and NHS Forth Valley.

Voting Membership of the IJB during 2016/17 was as follows:

#### Falkirk Council

Councillor Allyson Black (Chairperson)  
Councillor Linda Gow  
Councillor Dennis Goldie

#### NHS Forth Valley

James King (Vice Chair), Non Executive Member of NHS Forth Valley Board  
Alex Linkston, Chair of NHS Forth Valley  
Julia Swan, Non Executive Member of NHS Forth Valley Board

### **Remuneration: IJB Chair and Vice Chair**

The voting members of the IJB are appointed through nomination by Falkirk Council and NHS Forth Valley. Nomination of the IJB Chair and Vice Chair post holders alternates between a Councillor and a Health Board representative.



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

Taxable Expenses 2015/16 £	Salary, Fees and Allowances 2015/16 £	Name	Post(s) Held	Nominated by	Taxable Expenses 2016/17 £	Salary, Fees and Allowances 2016/17 £
Nil	Nil	Councillor Allyson Black	Chair April 2016 to March 2017	Falkirk Council	Nil	Nil
Nil	Nil	Mr James King	Vice Chair April 2016 to March 2017	NHS Forth Valley	Nil	Nil
<b>Nil</b>	<b>Nil</b>	<b>Total</b>			<b>Nil</b>	<b>Nil</b>

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.

### Remuneration: Officers of the IJB

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

#### Chief Officer

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

#### Other Officer

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. The Chief Finance Officer also undertook the Chief Finance Officer role for Clackmannanshire and Stirling IJB. Hence, the remuneration figures for the Chief Finance Officer included in the table below represents 50% of his remuneration.

Total 2015/16 £	Senior Employees	Salary, Fees & Allowances £	Taxable Expenses £	Total 2016/17 £
30,507 (FYE 103,102)	<b>Patricia Cassidy</b> Chief Officer 14 December 2015 to present	103,263	-	103,263
2,882	<b>Ewan C Murray</b> Chief Finance Officer	30,726	-	30,726
<b>33,389</b>	<b>Total</b>	<b>133,989</b>	-	<b>133,989</b>

FYE = Full Year Equivalent



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 Integration Joint Board balance sheet for the Chief Officer or any other officers.

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

Senior Employee	In Year Pension Contributions		Accrued Pension Benefits		
	For Year to 31/03/16	For Year to 31/03/17		Difference from 31/03/16	As at 31/03/17
	£	£		£000	£000
Patricia Cassidy	6,407	21,685	Pension	2	25
Chief Officer			Lump sum	-	21
Ewan C Murray	374	4,396	Pension	1	11
Chief Finance Officer			Lump Sum	1	28

The Chief Officer transferred in a previous scheme pension during 2016/17 and the impact of this is reflected in the figures contained in the table above.

### Disclosure by Pay Bands

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

Number of Employees in Band 2015/16	Remuneration Band	Number of Employees in Band 2016/17
	£100,000 - £104,999	1



## Exit Packages

There were no exit packages in relation to the Falkirk IJB in financial year 2016/17.

**Julia Swan**  
Chair

14 September 2017

  
**Patricia Cassidy**  
Chief Officer

14 September 2017



## Annual Governance Statement

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

### **Scope of Responsibility**

The Local Authority Accounts (Scotland) Regulations 2014 require a review at least once in each financial year of the effectiveness of the system of internal control and that an Annual Governance Statement is included in the Annual Accounts. Preparation of this statement also meets the requirements of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

To meet this responsibility the IJB has established arrangements for governance which includes a system of internal control. Reliance is also placed on the NHS Forth Valley and Falkirk Councils systems of internal control that support compliance with both organisations' policies and promotes achievement of each organisation's aims and objectives, as well as those of the IJB.

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

### **The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, and culture and values by which the IJB is directed and controlled. It enables the IJB to monitor the achievement of the priorities and outcomes as set out in the Falkirk Integrated Strategic Plan.

The system of internal control is part of the governance framework and is designed to identify and manage risk. The system aims to evaluate the risk of failure to achieve the IJBs' policies, aims and objectives, including the likelihood of those risks being realised and the impact of those risks if they are realised. The system aims to help manage the risks efficiently, effectively and economically.

### **The Governance Framework and Internal Control System**

The Board of the IJB comprises the Chair, Vice-Chair, and 4 other voting members. Three voting members are nominated by NHS Forth Valley and three by Falkirk Council. The Board has a number of non-voting members including a Chief Officer appointed by the Board, as well as employee, service users, carers and third sector representatives. The Board is the key decision making body.

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

- The overall vision, outcomes and priorities for the Falkirk area are set out in the Falkirk Integrated Strategic Plan 2016-2019. As a statutory member of Falkirk's Community Planning Partnership, the IJB has a key role in contributing to the



delivery of the strategic priorities and outcomes contained in the Strategic Outcomes and Local Delivery Plan (SOLD).

- A Development Programme for the IJB was approved in August 2016 and covered ways of working, including challenge and decision making.
- The Performance Management Framework was approved in March 2016 with the first full update report going to the November 2016 IJB.
- IJBs are required to produce an Annual Performance Report, to ensure that performance is open and accountable. The Annual Performance Report reviews performance against the outcomes included in the Strategic Plan. The IJB approved the Annual Performance Report for 2016/17 at its August board meeting.
- Decision-making is governed by the IJB's key constitutional documents including the Integration Scheme, standing orders, scheme of delegation, financial regulations and reserves policy and strategy.
- The IJB approved a Code of Conduct for all IJB Board Members. This includes a requirement for all Members to register interests where the Code requires this. This register is maintained by the Standards Officer.
- The IJB Audit Committee was set up during 2016/17 with terms of reference approved by the IJB. The remit of the Audit Committee includes all matters related to Internal and External Audit, Risk Management arrangements and consideration of annual governance reports and corporate governance arrangements.
- The Strategic Risk Register was approved in June 2016 and updated versions were presented to the IJB in October 2016 and March 2017. Going forward it is proposed that updates to the Strategic Risk Register will be considered by the Audit Committee.
- The Clinical and Care Governance Framework was agreed by the IJB in March 2016, including the establishment of the Clinical and Care Governance Group to ensure effective clinical and care governance across the partnership for those functions in scope. The terms of reference for this group are under development.
- In March 2016 the IJB approved the recommendations in an Information Governance report, including the agreement for the Chief Officer to act as the Senior Information Risk Officer for the IJB. Terms of Reference were agreed for the Information Governance Working Group, albeit these will be reviewed during 2017/18.

### System of Internal Control

The governance framework described operates on the foundation of internal controls, including management and financial information, financial regulations, administration, supervision and delegation. During 2016/17 this included the following:

- Management information systems and regular monitoring reports, including performance and financial reporting
- Review of Financial Regulations and Reserves Policy and Strategy



- Established budget setting processes in line with the Integration Scheme
- Internal Audit Progress Report and Annual Internal Audit Report
- Data sharing arrangements

### **Review of Adequacy and Effectiveness**

The IJB is required to conduct, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review is informed by the work of Senior Management who have responsibility for development and maintenance of the governance environment, the work of Internal Audit, including the Chief Internal Auditor's Annual Report, and reports from External Auditors and other review agencies as appropriate.

The IJB complies with "The Role of the Head of Internal Audit in Public Organisations" (CIPFA) and operates in accordance with "Public Sector Internal Audit Standards" (CIPFA).

The Chief Internal Auditor reports directly to the Audit Committee on all audit matters, with the right of access to the Chief Officer, Chief Finance Officer and Chair of the Audit Committee on any matter. The annual programme of internal audit work is based on a risk assessment. The Internal Audit plan for 2016/17 was approved by the IJB Audit Committee in September 2016. The Audit Committee has considered an Internal Audit progress report and the Annual Internal Audit Report for 2016/17 which provides the Chief Internal Auditor's opinion on the IJB's internal control framework.

The Chief Internal Auditor's Annual Internal Audit Report for 2016/17 concluded that reliance can be placed on the IJB's governance arrangements and systems of internal controls for 2016/17. The review considered Corporate Governance, Financial Governance and Information Governance.

In 2016/17, a self-assessment of the IJBs corporate governance arrangements was completed by the Chief Officer and Chief Finance Officer. The further development of corporate governance arrangements identified from the self-assessment will be incorporated into an action plan which will be presented to and monitored by the Audit Committee going forward.

### **Areas for Development in 2017/18**

The Chief Internal Auditor's Annual Internal Audit Report highlights a number of areas for development. During 2017/18, work will progress to address these areas, a number of which are summarised below:

- Review of the Scheme of Delegation to reflect the development of the Partnership.
- Further development of Partnership arrangements, including operational delegation of NHS services and a comprehensive support services agreement.
- The Clinical and Care Governance Framework will continue to be implemented. This will include development of the terms of reference for the Clinical and Care



Governance Group and clarity on roles and responsibilities and lines of accountability.

- A Risk Management Improvement Plan will be developed and revised on a six monthly basis by the Leadership Group, with updates provided to the IJB Audit Committee and the IJB. Internal Audit are planning a review in this area for 2017/18.
- Changes to the existing system for reviewing complaints about social work provision took effect on 1 April 2017. Further discussions are ongoing about monitoring arrangements for health and integrated functions where these apply to Falkirk residents. The IJB model complaints handling procedure was presented to the IJB in June 2017.
- Financial monitoring and planning arrangements are being reviewed and refined to assist the partnership in monitoring financial performance and to support delivery of services within available budgets.

### **Conclusion and Opinion on Assurance**

Subject to the above, and on the basis of the assurances provided, we consider that the internal control environment operating during 2016/17 provides reasonable and objective assurance that any significant risks impacting on the IJB's principal objectives will be identified and actions taken to avoid or mitigate their impact.

Systems are in place to regularly review and improve the internal control environment. These will be supported by action plans going forward.

**Julia Swan**  
Chair

14 September 2017

**Patricia Cassidy**  
Chief Officer

14 September 2017



## Comprehensive Income and Expenditure Statement

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

Gross Expenditure £000	Gross Income £000	2015/16 Net Expenditure £000		Gross Expenditure £000	Gross Income £000	2016/17 Net Expenditure £000	Notes
-	-	-	Large Hospital Services	24,987	-	24,987	10
-	-	-	Community Health and Social Care Services	112,435	-	112,435	10
-	-	-	Primary Care Services	70,033	-	70,033	10
80	-	80	IJB Running Costs	334	-	334	
<b>80</b>	<b>-</b>	<b>80</b>	<b>Cost of Services</b>	<b>207,789</b>	<b>-</b>	<b>207,789</b>	
-	(80)	(80)	Taxation and Non-Specific Grant Income (Note 4)	-	(212,630)	(212,630)	4
<b>80</b>	<b>(80)</b>	<b>-</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>207,789</b>	<b>(212,630)</b>	<b>(4,841)</b>	<b>3</b>
			<b>Total Comprehensive Income and Expenditure</b>			<b>(4,841)</b>	

There are no statutory or presentation adjustments which affect the IJB's 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 provided 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 2016/17	General Fund Balance	Unusable Reserves	Total Reserves
	£000	£000	£000
<b>Opening Balance at 31 March 2016</b>	-	-	-
Total Comprehensive Income and Expenditure	(4,841)	-	(4,841)
Adjustments between accounting basis and funding basis under regulations	-	-	-
<b>(Increase) or Decrease in 2016/17</b>	<b>(4,841)</b>	-	<b>(4,841)</b>
<b>Closing Balance at 31 March 2017</b>	<b>(4,841)</b>	-	<b>(4,841)</b>

Movements in Reserves During 2015/16	General Fund Balance	Unusable Reserves	Total Reserves
	£000	£000	£000
<b>Opening Balance at 31 March 2015</b>	-	-	-
Total Comprehensive Income and Expenditure	-	-	-
Adjustments between accounting basis and funding basis under regulations	-	-	-
<b>(Increase) or Decrease in 2015/16</b>	-	-	-
<b>Closing Balance at 31 March 2016</b>	-	-	-



## 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. Usable reserves may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable Reserves include reserves relating to statutory adjustments as shown in the Movement In Reserves Statement.

31 March 2016 £000		31 March 2017 £000	Notes
5	Short Term Debtors	4,841	5
<b>5</b>	<b>Current Assets</b>	<b>4,841</b>	
(5)	Short Term Creditors	-	6
<b>(5)</b>	<b>Current Liabilities</b>	<b>-</b>	
-	Provisions	-	
-	<b>Long Term Liabilities</b>	<b>-</b>	
<b>-</b>	<b>Net Assets</b>	<b>4,841</b>	
-	Usable Reserve: General Fund	(4,841)	8
-	Unusable Reserves	-	
<b>-</b>	<b>Total Reserves</b>	<b>(4,841)</b>	

The unaudited accounts were issued on 29 June 2017 and the audited accounts were authorised on 13 September 2017.

**Amanda Templeman**  
Chief Finance Officer

14 September 2017



## Notes to the Financial Statements

### 1. Significant Accounting Policies

#### General Principles

The Financial Statements summarises the authority's transactions for the 2016/17 financial year and its position at the year ended 31 March 2017.

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

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

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

#### 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

#### Funding

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

#### 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.



### 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. 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.

### 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.

### 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 has no unusable reserves.

### Indemnity Insurance

The IJB has indemnity insurance for costs relating primarily to potential claim liabilities regarding Board member and officer responsibilities. NHS Forth Valley and Falkirk 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 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.

#### VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

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

Where the Council is the provider, income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to H.M. Revenue & Customs and all VAT paid is recoverable from it. 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 irrecoverable 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

## 2. Events After the Reporting Period

The Annual Accounts were authorised for issue by the Chief Finance Officer on 13 September 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 3. Expenditure and Income Analysis by Nature

2015/16 £000	2016/17 £000
- Services commissioned from Falkirk Council	61,510
- Services commissioned from NHS Forth Valley	145,895
- Provisions	50
64 Other IJB Operating Expenditure	306
3 Insurance and Related Expenditure	3
5 Auditor Fee: External Audit Work	25
Partners Funding Contributions and Non-Specific	
- Grant Income	(212,630)
<b>72 Surplus of Deficit on the Provision of Services</b>	<b>(4,841)</b>



Other IJB Operating Expenditure relates to shared costs of Chief Officer, Chief Finance Officer, Programme Manager and supporting administration posts plus associated non-pay costs. Equal contributions to these costs are made by the constituent authorities to reflect the costs of running the Integration Authority.

#### 4. Taxation and Non-Specific Grant Income

2015/16 £000		2016/17 £000
36	Funding Contribution from Falkirk Council	62,262
36	Funding Contribution from NHS Forth Valley	150,368
<b>72</b>	<b>Taxation and Non-specific Grant Income</b>	<b>212,630</b>

The funding contribution from the NHS Board shown above includes £24,987,000 in respect of 'set aside' resources relating to acute hospital and other resources. These are provided by the NHS which retains responsibility for managing the costs of providing the services. The IJB however has responsibility for the consumption of, and level of demand placed on, these resources.

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

#### 5. Debtors

31 March 2016 £000		31 March 2017 £000
2.5	Falkirk Council	535
2.5	NHS Forth Valley	4,306
<b>5</b>	<b>Debtors</b>	<b>4,841</b>



## 6. Creditors

31 March 2016 £000	31 March 2017 £000
5 Non-public sector	-
<b>5 Creditors</b>	-

## 7. Provisions

A provision for bad debts in relation to Adult Social Care of £50,000 has been made within the 2016/17 accounts.

## 8. Useable 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 element of the IJB's financial risk management framework.

The table below shows the movements on the General Fund balance, analysed between those elements earmarked for specific planned future expenditure, and the amount held as a general contingency.

2015/16 Balance at 31 March 2016 £000	Transfers Out 2016/17 £000	2016/17 Transfers In 2016/17 £000	Balance at 31 March 2017 £000
- Integration Fund	-	(1,430)	(1,430)
- Partnership Funding	-	(2,340)	(2,340)
- Primary Care and Mental Health Transformation Funds	-	(322)	(322)
- Transforming Urgent Care	-	(214)	(214)
- Housing Revenue Account	-	(275)	(275)
- Sensory Strategy	-	(47)	(47)
- Total Earmarked	-	(4,628)	(4,628)
- Contingency / General Reserve	-	(213)	(213)
- <b>General Fund</b>	-	<b>(4,841)</b>	<b>(4,841)</b>



## 9. Related Party Transactions

The IJB has related party relationships with NHS Forth Valley and Falkirk 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.

### Transactions with NHS Forth Valley

<b>2015/16</b> <b>£000</b>		<b>2016/17</b> <b>£000</b>
(36)	Funding Contributions received from the NHS Forth Valley	(150,368)
6	Expenditure on Services Provided by the NHS Board	145,973
26	Key Management Personnel: Non-Voting Board Members	89
<b>(4)</b>	<b>Net Transactions with the NHS Forth Valley</b>	<b>(4,306)</b>

### Balances with NHS Forth Valley

<b>31 March</b> <b>2016</b> <b>£000</b>		<b>31 March</b> <b>2017</b> <b>£000</b>
2.5	Debtor balances: Amounts due from the NHS Board	4,306
<b>2.5</b>	<b>Net Balance with NHS Forth Valley</b>	<b>4,306</b>

Key Management Personnel: The Chief Officer and Chief Finance Officer are employed by Falkirk Council and NHS Forth Valley respectively and recharged to the IJB via equal contributions from the constituent authorities based on voting shares. Details of the remuneration for the Chief Officer and the Chief Finance Officer are provided in the Remuneration Report.

Support services were not delegated to the IJB through the Integration Scheme and are instead provided free of charge as a 'service in kind'. The support services provided by NHS Forth Valley mainly consist of performance management, human resources, financial management, information services, information technology and payroll.

In 2015/16 the Interim Chief Officer until December 2015 was seconded from NHS Lothian to the IJB via NHS Forth Valley. Therefore the expenditure relating to this is shown for 2015/16 within transactions with NHS Forth Valley.



#### Transactions with Falkirk Council

<b>2015/16</b>		<b>2016/17</b>
<b>£000</b>		<b>£000</b>
(36)	Funding Contributions received from Falkirk Council	(62,262)
-	Expenditure on Services Provided by Falkirk Council	61,588
40	Key Management Personnel: Non-Voting Board Members	89
<b>4</b>	<b>Net Transactions with Falkirk Council</b>	<b>(585)</b>

#### Balances with Falkirk Council

<b>31 March</b>		<b>31 March</b>
<b>2016</b>		<b>2017</b>
<b>£000</b>		<b>£000</b>
2.5	Debtor balances: Amounts due from Falkirk Council	535
<b>2.5</b>	<b>Net Balance with Falkirk Council</b>	<b>535</b>

Support services were not delegated to the IJB through the Integration Scheme and are instead provided free of charge as a 'service in kind'. The support services provided by Falkirk Council mainly consist of governance services, human resources, financial management, information services, information technology and payroll.



## 10. Segmental Reporting

Expenditure on services commissioned by the Falkirk IJB is analysed in the tables below.

<b>HEALTH SERVICES</b>	<b>Unaudited Budget £000</b>	<b>Expenditure £000</b>	<b>Variance £000</b>
<u>Set Aside Budget for Large Hospital Services</u>			
Accident and Emergency Services	6,305	6,383	(78)
In patient Hospital Services Relating to:			
General Medicine	3,130	2,953	177
Geriatric Medicine	4,311	4,592	(281)
Rehabilitation Medicine	1,428	1,476	(48)
Respiratory Medicine	1,178	1,135	42
Psychiatry of learning disability	1,333	1,484	(151)
Palliative Care (Hospital Based)	1,099	1,090	9
Mental Health Inpatient Services	6,203	6,284	(81)
<b>Sub-Total</b>	<b>24,987</b>	<b>25,397</b>	<b>(410)</b>
Adjustment to Budget for Overspend Funded by NHS	-	(410)	410
<b>Sub Total</b>	<b>24,987</b>	<b>24,987</b>	<b>-</b>
<u>Operational</u>			
District Nursing Services	4,111	4,271	(161)
Community Addiction Services	2,949	2,737	213
Community Based AHP Services	6,258	6,329	(71)
Public Dental Service	1,054	1,065	(11)
Services provided outwith a hospital in relation to geriatric medicine	1,132	1,044	88
Palliative Care (delivered in Community)	55	63	(8)
Community Learning Disability Services	813	627	186
Community Mental Health Services	5,018	4,909	109
Continence Services	191	164	26
Services Provided by health professionals that aim to promote public health	1,508	1,453	56
Community Hospitals	6,558	6,578	(20)
Resource Transfer	11,253	11,253	-
Joint Partnership Agreements	2,299	2,273	26
Partnership Funds (Transformation)	2,468	2,468	-
Contingency	688	-	688
Shared Partnership Costs	167	167	-
Integration Fund	5,640	5,640	-
To Reserves	4,306	-	4,306
<b>Sub Total</b>	<b>56,468</b>	<b>51,041</b>	<b>5,427</b>
<u>Universal</u>			
Primary Medical Services (GMS Contract)	21,808	21,404	404
Primary Dental Services (GDS Contract)	8,540	8,531	9
Community Ophthalmic Services	2,896	2,896	-
Community Pharmaceutical Services	34,298	35,945	(1,647)
GP Out of Hours Services	1,370	1,257	113
<b>Sub Total</b>	<b>68,912</b>	<b>70,033</b>	<b>(1,121)</b>
<b>TOTAL HEALTH SERVICES</b>	<b>150,367</b>	<b>146,061</b>	<b>4,306</b>



<b><u>SOCIAL CARE SERVICES</u></b>	<b>Unaudited Budget £000</b>	<b>Expenditure £000</b>	<b>Variance £000</b>
Older People	2,879	2,884	(5)
Mental Health	588	453	135
Learning Disability	284	284	-
Physical Disability	608	609	(1)
Adult Support and Protection	188	89	99
Carers	48	35	13
Care at Home	29,507	29,835	(328)
Residential Care	21,345	21,790	(445)
Respite Care	1,278	979	299
Day Care/Services	4,321	4,152	169
MECS/Telecare/Telehealth	493	546	(53)
Housing with Care/Sheltered Accommodation	1,081	1,134	(53)
Shopping Service	13	86	(73)
Equipment and Adaptions	424	300	124
Advocacy	96	89	7
Sensory Team	448	294	154
Mental Health Team	280	247	33
Learning Disability Team	568	624	(56)
JLES	318	258	60
Day Care/Centre: MH	198	101	97
Sensory Resource Centre	77	51	26
Voluntary Organisations	554	551	3
Garden Aid	489	356	133
Housing Aids and Adaptations	1,200	976	224
Improvement Grants	327	327	-
Shared Partnership Costs	190	167	23
Provisions (Bad Debts)	-	50	(50)
<b>Sub Total</b>	<b>67,802</b>	<b>67,267</b>	<b>535</b>
Integration Fund	(5,540)	(5,540)	-
<b>TOTAL SOCIAL CARE SERVICES</b>	<b>62,262</b>	<b>61,727</b>	<b>535</b>
<b>PARTNERSHIP TOTAL</b>	<b>212,629</b>	<b>207,788</b>	<b>4,841</b>



## Independent Auditor's report to the members of Falkirk 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 Falkirk Integration Joint Board for the year ended 31 March 2017 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 2016/17 (the 2016/17 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the Board as at 31 March 2017 and of its surplus on the provision of services for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 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 of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). 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 Board 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 Standards for Auditors, 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.



### Responsibilities of the Chief Finance Officer for the financial statements

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

### Auditor's responsibilities for the audit of the financial statements

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Board and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements.

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&I) 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.

### Other information in the annual accounts

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

In connection with our audit of the financial statements in accordance with ISAs (UK&I), our responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



## Report on other requirements

### Opinions on other prescribed matters

We are required by the Accounts Commission to express an opinion on the following matters.

In our opinion, the auditable 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 auditable 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.

Stephen I  
for and on  
Ten Geo  
Edinburgh  
EH2 2DZ

Date: *20 SEPTEMBER 2017.*

