

Perth and Kinross Integration Joint Board

2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Perth and Kinross Integration Joint Board and the Controller of Audit
October 2024

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Key messages

2023/24 annual accounts

- 1 Audit opinions on the annual accounts of the Perth and Kinross Integration Joint Board (the IJB) are unmodified i.e. the financial statements and related reports are free from material misstatement.

Financial management

- 2 The IJB has appropriate and effective financial management.
- 3 The IJB planned to use £7.187 million of reserves to support delivery of its 2023/24 budget but overspent by £1.353 million resulting in a deficit of £8.540 million for the year. The majority of this overspend relates to Older People's Services (£2.9 million) offset by underspends in Adult Services (£1.6 million).
- 4 The IJB's reserves balance as at 31 March 2024 is £8.294 million, of which £3.645 million is earmarked. The uncommitted reserves balance of £4.649 million is slightly below the IJB's reserves policy level of 2% of net expenditure.

Financial sustainability

- 5 The current models of service delivery are not financially sustainable. The IJB is projecting an overspend in 2024/25 which will fully exhaust its uncommitted reserves. A financial recovery plan is being actioned, but additional funding and service redesign is essential to ensure services are financially sustainable.

Vision, leadership, and governance

- 6 Governance arrangements are appropriate and operated effectively. There is effective scrutiny, challenge, and informed decision making.
- 7 The IJB's vision, strategy and priorities are clear.
- 8 Recruitment challenges remain a significant risk, but the IJB is making progress against its 3-year Workforce Plan.

Use of resources to improve outcomes

- 9 The IJB has effective arrangements for managing and reporting performance. Overall, IJB's performance against national health and social care indicators was mixed in 2023/2024 with around half of indicators better than the national average.

- 10** Appropriate arrangements are in place to secure Best Value, including a self-assessment against the Best Value characteristics.

Introduction

1. This report summarises the findings from the 2023/24 annual audit of Perth and Kinross Integration Joint Board (the IJB) and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.
2. The scope of the audit was set out in an Annual Audit Plan presented to the Audit and Performance Committee's 11 March 2024 meeting. This Annual Audit Report includes significant matters arising from our audit of the IJB's annual accounts and conclusions on the wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#).
3. We would like to thank all Board members, management and staff, particularly those in finance, for their cooperation and assistance during the year.

Responsibilities and reporting

4. The IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The IJB is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.
5. The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973, the Code of Audit Practice 2021, and supplementary guidance, and International Standards on Auditing in the UK.
6. This report contains an agreed action plan at the [Appendix](#) which sets out specific recommendations, responsible officers, and dates for implementation. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues raised and to maintain adequate systems of control.

Auditor Independence

7. We confirm that we comply with the Financial Reporting Council's Ethical Standard and that we have not undertaken any non-audit related services. The 2023/24 audit fee of £33,360 as set out in the 2023/24 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.
8. The annual audit adds value to the IJB by identifying and providing insight on significant risks, making clear and relevant recommendations, and sharing intelligence and good practice.

1. Audit of 2023/24 annual accounts

Public bodies are required to prepare annual accounts comprising financial statements and other related reports. These are the principal means of accounting for the stewardship of public funds.

Main judgements

Audit opinions on the IJB's annual accounts are unmodified.

The unaudited annual accounts were provided within the agreed timescales and were of a good standard.

Audit opinions on the annual accounts are unmodified

9. The Audit and Performance Committee approved the annual accounts for Perth and Kinross Integration Joint Board for the year ended 31 March 2024 on 28 October 2024. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the Remuneration Report was prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014
- the Management Commentary and Annual Governance Statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

The 2023/24 audit was completed on 28 October 2024 in line with the agreed audit timetable

10. The unaudited annual report and financial statements were received in line with our agreed audit timetable on 25 June 2024. The accounts and working papers presented for audit were of a good standard and management and finance staff provided good support to the team during the audit process. This helped ensure that the final accounts audit was completed in line with the audit timetable on 28 October 2024.

Our audit approach and testing were informed by the overall materiality level of £6 million

11. The concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the accounts, and impact the opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature, and it is ultimately a matter of the auditor's professional judgement.

12. Our initial assessment of materiality was carried out during the planning phase of the audit and was based on the audited 2022/23 annual accounts. These materiality values were reported in our annual audit plan.

13. On receipt of the unaudited annual report and financial statements we reconsidered our materiality levels based on the financial results for the year ended 31 March 2024, and updated our materiality levels. Our revised materiality levels are summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality: this is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of the IJB's operations. For the year ended 31 March 2024, we have set our materiality at 2% of gross expenditure based on the unaudited 2023/24 annual accounts.	£6 million
Performance materiality: this acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this could indicate that further audit procedures are required. Using our professional judgement, we have assessed performance materiality at 75% of overall materiality.	£4.5 million
Reporting threshold: we are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£0.3 million

Source: Audit Scotland

There are no significant findings or key audit matters to report to those charged with governance

14. Under ISA (UK) 260, we communicate significant findings from the audit to the Audit and Performance Committee, including our view about the qualitative aspects of the IJB's accounting practices.

15. The Code of Audit Practice also requires auditors to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judge to be of most significance in our audit of the financial statements

16. We have no significant findings to report from the audit of the annual accounts. We identified no misstatements in the financial statements, so no adjustments were required and there were no unadjusted errors above our reporting threshold.

Audit work responded to the risks of material misstatement identified in the annual accounts

17. [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements we identified in the 2023/24 Annual Audit Plan. It also summarises the further audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 2

Significant risks of material misstatement in the annual accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Agreement of balances and income to Perth and Kinross Council and NHS Tayside financial reports / ledger / correspondence.</p> <p>Auditor assurances will be obtained from the auditors of Perth and Kinross Council and NHS Tayside which ensure completeness, accuracy and allocation of income and expenditure.</p> <p>Review of year-end consolidation of expenditures reports from Perth and Kinross Council and NHS Tayside including examining any significant adjustments.</p>	<p>We obtained assurances from the external auditors of NHS Tayside and Perth and Kinross Council.</p> <p>No significant weaknesses in the systems of internal control have been identified that impact on Perth and Kinross IJB.</p> <p>Balances and transactions in the partner bodies were consistent with the IJB's accounts.</p> <p>We reviewed adjustments at year end and financial monitoring reports.</p> <p>Conclusion: Audit work found no errors or other accounting treatment that would indicate management override of controls.</p>

There were no objections to the annual accounts

18. The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on their website that includes details of the period for inspecting and objecting to the annual accounts. This must remain on the website throughout the inspection period. Perth and Kinross IJB complied with this requirement and there were no objections to the 2023/24 annual accounts.

Good progress was made on prior year recommendations

19. The IJB has made good progress in implementing the agreed prior year audit recommendation. See [Appendix](#) for details.

2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

Main judgements

The IJB had appropriate and effective financial management arrangements in place during 2023/24.

The IJB planned to use £7.187 million of reserves to support delivery of its 2023/24 budget but overspent by £1.353 million resulting in a deficit of £8.540 million for the year. The majority of this overspend relates to Older People's Services (£2.9 million) offset by underspends in Adult Services (£1.6 million).

Reserves total £8.294 million as at 31 March 2024, of which £3.645 million is earmarked. The remaining uncommitted reserves balance of £4.649 million is slightly below the IJB's reserves policy level of 2% of net expenditure.

The 2023/24 budget included planned savings and contributions from reserves to address the funding gap

20. The IJB approved its 2023/24 core recurring budget in March 2023. A balanced budget of £244.506 million was set after application of savings totalling £3.565 million. As part of the funding for the budget, the IJB planned to use reserves totalling £7.187 million (earmarked - £3.345 million and uncommitted - £3.842 million). In year revisions were made to the budget to reflect the pay awards (£4.706 million) and additional allocations received from the Scottish Government (£0.574 million).

21. In addition to its core recurring budget, the IJB's financial statements also includes expenditure on Large Hospital Set Aside (£26.206 million), Inpatient Mental Health (£11.698 million) and recharges for Hosted Services (£8.797 million). Large Hospital Set Aside is a notional figure included as part of the year end accounts preparation process and the IJB does not have control of the budgets for Inpatient Mental Health or services hosted by other IJBs.

The IJB returned an overspend of £1.353 million against its revised budget in 2023/24

22. The IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer and Chief Finance Officer. All funding and expenditure for the IJB is incurred by partner bodies and processed in their accounting records.

23. The IJB returned an overspend of £1.353 million against budget in 2023/24 ([Exhibit 3](#)) which it funded through the use of additional uncommitted (£0.973 million) and earmarked (£0.380 million) reserves. The majority of this overspend relates to Older People's Services (£2.9 million) due to increased demand for Care at Home direct payments and increased costs of interim care placements offset by underspends in Adult Services (£1.6 million) due to delays in the commencement of client packages and staffing vacancies.

24. As at 31 March 2024, earmarked reserves have reduced to £3.645 million and uncommitted reserves to £4.649 million resulting in total usable reserves of £8.294 million to be carried forward to fund future expenditure. The £4.649 million uncommitted reserves balance is 1.6% of net expenditure, below the IJB's agreed reserves policy position of 2% of net expenditure. As reported at paragraph 31 the IJB's uncommitted reserves are forecast to be fully exhausted during 2024/25.

Exhibit 3 Performance against budgeted use of reserves

IJB budget summary	Budget £m	Actual £m	Variance £m
NHS Tayside	3.206	2.775	(0.431)
Perth and Kinross Council	0.636	2.040	1.404
Non-Earmarked Reserves applied	3.842	4.815	0.973
Earmarked Reserves Applied	3.345	3.725	0.380
Deficit planned / reported in year	7.187	8.540	1.353

Source: 2023/24 Perth & Kinross IJB Annual Accounts

Budget monitoring processes were appropriate

25. Detailed budget monitoring reports were submitted to the IJB throughout the year. The outturn to date and projected year-end outturn position were clearly stated in these reports, with the actual year-end outturn position being in line with expectations.

26. The IJB has increased the frequency of the Budget Review Group (BRG) which meets to give members more understanding around the cost pressures and the drivers of costs increases in year. The BRG met in September 2024 and its next meeting is scheduled for November 2024. IJB development sessions will also take place to allow all members of the IJB to develop their knowledge of the IJB's cost pressures.

27. We observed that senior management and members receive regular and accurate financial information on the IJB's financial position and have concluded the IJB has appropriate budget monitoring arrangements.

Appropriate internal financial control arrangements are in place

28. The IJB does not have its own financial systems and instead relies on the financial systems of its partner bodies, NHS Tayside and Perth and Kinross Council. As part of our audit approach, we obtained assurances from the external auditors of NHS Tayside and Perth and Kinross Council and confirmed there were no weaknesses in the systems of internal control for either body that would impact on the IJB.

Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate

29. The IJB has adequate arrangements in place to prevent and detect fraud or other irregularities.

3. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Main judgements

The current models of service delivery are not financially sustainable. The IJB is projecting an overspend in 2024/25 which will fully exhaust its uncommitted reserves. A financial recovery plan is being actioned, but additional funding and service redesign is essential to ensure services are financially sustainable.

The IJB's uncommitted reserves are forecast to be fully exhausted in 2024/25. Current service models are not financially sustainable; it is essential that Transformation Programmes deliver service redesign to ensure services are financially sustainable.

30. Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

31. The IJB set its 2024/25 budget in March 2024. Recurring savings of £5.518 million and £3.128 million planned use of reserves and one-off funding were needed to deliver a balanced budget.

32. In October 2024, the IJB reported a forecast overspend of £4.662 million, requiring additional use of reserves beyond the level agreed when setting the budget. This would fully exhaust the IJB's uncommitted General Fund reserves, which are held as a contingency to address the impact of unexpected events or emergencies. The uncommitted reserves form a key part of the IJB's risk management framework. Exhausting these reserves leaves the IJB with limited options to address unexpected events or pressures.

33. Under the Integration Scheme, uncommitted reserves are the first option to cover overspends. Once these are exhausted, the partners must provide additional funding to cover the remaining overspend. The IJB acknowledges that its financial recovery plan will not be sufficient to meet the projected funding gaps and has started discussions with partners to request additional funding. The partner bodies are also under increasing financial pressure and may find it difficult to identify additional available resources.

34. A financial recovery plan is being actioned. As reported to the October IJB meeting, this is projected to reduce expenditure by £1.3 million, which is not enough to cover the £1.637 million net overspend after application of all the uncommitted reserves.

35. The IJB's medium-term financial planning forecasts a further budget gap of £3.1 million in 2025/26 and £1.6 million in 2026/27 (as reported to the IJB in March 2024).

36. The IJB's Transformation Programme is intended to design services that provide high quality care to the Perth and Kinross population. It is essential that the IJB works with its partners to progress service redesign to ensure services are delivered, and health and care needs are met, in a financially sustainable way.

Recommendation 1

The IJB must implement its Financial Recovery Plan and work with its partners to deliver financially sustainable services. This will require a Transformation Programme of service redesign, collaborative change, and additional funding from partners.

4. Vision, leadership, and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Main judgements

The governance arrangements are appropriate and operate effectively. There is effective scrutiny, challenge, and informed decision making.

The IJB's vision, strategy and priorities are clear.

Recruitment challenges remain a significant risk, but the IJB is making progress against its 3-year Workforce Plan.

Governance arrangements are effective and appropriate and support effective scrutiny, challenge, and informed decision-making.

37. In making our assessment of the IJB's governance arrangements we considered the:

- Structure and conduct of board and committee meetings
- Overall arrangements to ensure appropriate standards of conduct, including compliance with the Standing Financial Instructions and Standing Orders
- Arrangements for the prevention and detection of fraud, error, bribery, and corruption
- Reporting of performance and whether this is fair, balanced, and understandable.

38. The Integration Joint Board met six times on a hybrid basis during 2023/24, and the Audit and Performance Committee met six times. The papers presented to the Board and Audit and Performance Committee are published timeously on the IJB's section of Perth and Kinross Council's website.

39. Our observations at committee meetings throughout the year has found that these are conducted in a professional manner and there is a good degree of scrutiny and challenge by members.

40. Overall, we consider that governance arrangements are appropriate and support effective scrutiny, challenge and decision making.

The IJB has a clear vision, strategy, and priorities

41. The IJB updated its Strategic Plan 2024-27 in June 2024. This is supported by service delivery plans, the workforce plan, and the 3-year financial plan.

42. The IJB has 7 strategic priorities as set out in the updated Strategic Plan:

- Target resources to where people and communities need help most
- Make it easier for people to get the help and support they need
- Provide health and social care supports close to home
- Work with communities to design the health and social care supports they need
- Improved integrated working
- Promote self-management and living well
- Value our workforce, support them to keep well, learn and develop.

Recruitment challenges remain a significant risk, but the IJB is making progress against its 3-year workforce plan

43. An update on progress against the 3-year Workforce Plan for Health and Social Care was presented to the IJB in June 2024. The Workforce Plan sets out how the IJB will address its significant recruitment challenges. The update reported good progress in implementing the Workforce Plan and that actions have had a positive impact in reducing the impact of vacancies. This includes a successful initiative to recruit social care workers from abroad. However, the IJB continues to experience significant challenges regarding workforce.

5. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

Main judgements

The IJB has effective arrangements for managing and reporting performance. Overall, IJB's performance against national health and social care indicators was mixed in 2023/2024 with around half of indicators better than the national average.

Appropriate arrangements are in place to secure Best Value, including a self-assessment against the Best Value characteristics.

The IJB has effective arrangements for managing and reporting performance. Overall, performance was mixed in 2023/24

44. The Public Bodies (Joint Working) (Scotland) Act 2014 requires the IJB to produce an annual performance report covering areas such as assessing performance in relation to national health and wellbeing outcomes, financial performance, and best value, reporting on localities, and the inspection of services. The Scottish Government and Ministerial Strategic Group for Health and Community Care have agreed a core suite of integration indicators against which all IJBs should report in their annual performance reports.

45. The Board has continued to monitor these key performance indicators throughout the year with the Annual Performance Report being presented to the Audit and Performance Committee in July 2024. Overall, the IJB performance shows a mixed picture with around half of indicators better than the national average.

46. National Indicators 1 to 9 are reported in the Health and Care Experience Survey commissioned by the Scottish Government. This survey is sent randomly to approximately 5% of the people registered with a General Practice, every two years. The IJB compared favourably to Scotland as a whole in all but one (indicator 4: percentage of adults supported at home who agree that their health and care services seemed to be well co-ordinated which was 57.3% compared to the national average of 61.4%) of these indicators. Performance was significantly better than the Scottish average in the following measures:

- **National Indicator 3 (67.9% compared to national average of 59.6%)** – percentage of adults supported at home who agree that they had a say in how their help, care or support was provided
- **National Indicator 6 (75.7% compared to national average of 68.5%)** – percentage of people with positive experience of the care provided by their GP practice
- **National Indicator 7 (75.8% compared to national average of 69.8%)** – percentage of adults supported at home who agree that their services and support had an impact in improving or maintaining their quality of life.

47. The primary source for the remaining national indicators is the Scottish Morbidity Records which are collected nationally. The IJB performed better than the national average for delayed discharges and A&E attendances, but performance was significantly below the national average in the following measures:

- **National Indicator 12 (13,339 compared to national average of 11,707)** – emergency admission rate for adults (18+) (per 100,000 population)
- **National Indicator 14 (147 compared to national average of 104)** – emergency readmissions to hospital within 28 days of discharge (rate per 1,000 discharges) (18+).

The IJB has considered the reasons for this relative performance and identified that Perth and Kinross has a higher number of adults over the age of 85 years of age compared to the rest of Scotland who are more likely to require hospital admissions.

48. The Annual Performance Report also compares the IJB's performance in 2023/24 with the previous period. Of the 21 national indicators reported, 13 are rated as green (better than or within 3% of the comparator), 3 as amber (within 3-6% of the comparator) and 5 as red (more than 6% below the comparator).

49. Where performance has not improved year on year the IJB has assessed the reasons for the decline in performance. The Annual Performance Report also includes a looking forward section for each service which outlines the actions being taken in each service area.

50. Overall, the IJB has effective arrangements in place for managing and reporting performance.

The IJB has appropriate arrangements in place for securing Best Value

51. Integration Joint Boards have a statutory duty to have arrangements to secure Best Value. To achieve this, IJBs should have effective processes for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.

52. The IJB undertook a review of its compliance with the principles of best value. This was reported to the June Audit and Performance Committee along with the results of the Best Value self-assessment. The report reviews the IJB against the 87 criteria for Best Value across the 7 Best Value themes. 11 of the criteria have been judged as not being met and the IJB has developed an action plan to address these areas.

Appendix. Action plan 2023/24

2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Uncommitted General Fund useable reserves forecast to be exhausted in 2024/25</p> <p>The IJB has forecast an overspend of £4.662 million in 2024/25 (as reported to the IJB on 2 October 2024) requiring additional use of reserves beyond the level (£3.128 million) agreed when setting the budget. This will leave the IJB with no contingency to address unexpected events or emergencies.</p> <p>The current models of service delivery are financially unsustainable.</p> <p>Risk: the IJB acknowledges that its financial recovery plan will not be sufficient to meet the projected funding gaps and has started discussions with partners to request additional funding. As the partners also face significant financial pressures, they may find it difficult to identify additional funding.</p>	<p>The IJB must implement its Financial Recovery Plan and work with its partners to deliver financially sustainable services. This will require a Transformation Programme of service redesign, collaborative change, and additional funding from partners once reserves are exhausted.</p> <p>Paragraph 32</p>	<p>Agreed</p> <p>The financial recovery plan for 2024/25 is being progressed with regular reporting to the IJB. A collaborative budget process for future years is underway that will aim for a transformation programme aligned to areas with highest financial pressure.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Agreed date: 31 March 2025</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation and agreed action	Progress
<p>b/f 1. Best Value Assessment</p> <p>The IJB clearly recognises the importance of securing Best Value with the building blocks to achieve this being set out in its Annual Performance Report. It acknowledges that more needs to be done, however, to demonstrate it is securing Best Value from available resources and has committed to conducting a self-assessment against the Best Value characteristics in 2023/24</p> <p>Risk: the IJB is unable to demonstrate how it secures Best Value in the use of the resources available to it.</p>	<p>The IJB should ensure it completes its self-assessment against the Best Value characteristics and report the outcome to the Audit and Performance Committee.</p>	<p>Implemented</p> <p>The Best Value report was presented to the Audit and Performance Committee in June 2024.</p>

Perth and Kinross Integration Joint Board

2023/24 Annual Audit Report

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www.audit-scotland.gov.uk/accessibility

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