



DUMFRIES AND GALLOWAY INTEGRATION JOINT BOARD

Annual Report and Financial Statements

For the Period Ended 31 March 2016

Table of Contents

Section 1: Management Commentary	3
Section 2: Statement of Responsibilities	6
Section 3: Annual Governance Statement	9
Section 4: Remuneration Report	14
Section 5: Core Financial Statements	17
Section 6: Notes to the Core Financial Statements	19
Section 7: Independent Auditors' Report.....	25
Section 8: Glossary of Terms	28

Section 1: Management Commentary

Introduction

This Management commentary provides an overview of the key messages in relation to the objectives and strategy of Dumfries and Galloway Integration Joint Board (the IJB) and its financial performance for the period ended 31 March 2016. It also provides an indication of the issues and risks which may impact upon the finances of the IJB in the future.

Dumfries and Galloway Integration Joint Board (IJB) was established as a body corporate by order of the Scottish Ministers on 3 October 2015 as part of the establishment of the framework for the integration of health and social care in Scotland under the Public Bodies (Joint Working) (Scotland) Act 2014. The IJB has responsibility for the strategic planning and delivery of a defined range of health and adult social care services for the residents of Dumfries and Galloway, encompassing an area of 242 square miles and a population of 149,670. Dumfries and Galloway borders onto South Ayrshire, Lanarkshire, Borders and Cumbria.

Dumfries and Galloway Council and NHS Dumfries and Galloway, as the parties to the Integration Scheme, each nominated five voting members for the IJB. The Council nominated Elected Members and the Health Board Non-Executive Directors. A Council nominee was the Chair of the IJB in 2015-16 and the Vice-Chair was drawn from NHS Board Non-Executive Directors.

A number of non-voting Representative Members sit on the IJB and contribute to its proceedings. These Representatives are chosen from the Third Sector, the Independent Sector, Carers, Services Users, and Council and NHS Board staff. In addition, the Deputy Medical Director for Acute Services and Director of Public Health have also been appointed as non-voting members.

Three sub committees of the IJB have been identified. These are

- Performance and Finance Committee
- Clinical and Care Governance Committee
- Audit and Risk Committee

The organisation structure for the IJB is led by the Chief Officer who is supported by six General Managers who lead the operational directorates as follows:

- Community Health and Social Care Services
- Acute/hospital based services
- Mental Health Services
- Children's Health
- Facilities and Clinical Support
- IM&T

The IJB has appointed a Chief Finance Officer. Other staff reporting directly to the Chief Officer provide planning, performance and business support services to the IJB and the broader Partnership.

Purpose and Objectives of the IJB

The main purpose of integration is to improve the wellbeing of families, communities and people who use health and social care services, particularly those whose needs are complex and involve support from health and social care at the same time.

The Integration Joint Board has approved the following vision for the Health and Social Care Partnership as part of its approved Strategic Plan for 2016-19: *“Making our communities the best place to live active, safe and healthy lives by promoting independence, choice and control.”*

The Integration Scheme puts in place a framework designed to deliver the National Health and Wellbeing Outcomes prescribed by the Scottish Ministers in Regulations under Section 5(1) of the Public Bodies (Joint Working) (Scotland) Act 2014.

The IJB Strategic Plan sets out a number of strategic objectives and policy priorities with accompanying Implementation and Resource Plans, Performance Framework and Strategic Needs Assessment, all designed to ensure a direction of travel by the Partnership consistent with national objectives. The Partnership’s agreed strategic objectives are as follows:

- Enabling people to have more choice and control;
- Supporting Carers;
- Developing and strengthening communities;
- Making the most of well-being;
- Maintaining safe, high quality care and protecting vulnerable adults;
- Shifting the focus from institutional care to home and community based care;
- Integrated ways of working;
- Reducing health inequalities;
- Working efficiently and effectively; and
- Making the best use of technology

Medium Term Financial Strategy

The IJB, like many others, faces significant financial challenges and is required to operate within tight fiscal constraints for the foreseeable future due to the continuing difficult national economic outlook and increasing demand for services. A financial plan has been developed for 2016/17 with the objective that the IJB operates within the resource available. The financial plan will reflect the agreement with Dumfries and Galloway Council on the increased investment by the Scottish Government and the funding to be provided by NHS Dumfries and Galloway.

The IJB has approved an ambitious agenda for change aimed at:

- Better integrating care and support to improve people’s experience of health and social care and support
- Changing our primary approach to one of prevention and early intervention, shifting our focus away from ‘crisis management’

- Developing partnership approaches to care delivery that enable people to retain as high a level of independence as possible and have greater choice and control over their own lives
- Reducing inequalities in health and social care

Financial Statements

The financial statements for 2015/16 are set out on page 17 and incorporate financial and other information required by the Code of Practice on Local Authority Accounting in the United Kingdom (*The Code*). The Statement of Accounting Policies on pages 19-22 explains the basis for the recognition, measurement and disclosure of transactions and other events in the Financial Statements, to ensure that they present a 'true and fair view' of the IJB's financial performance. An explanation of each of the financial statements which follow and their purpose is shown at the top of each statement. For 2015/16 this reflects the shadow period of the partnership with services not formally delegated until 1st April 2016 hence the minimal nature of the financial statements.

Financial Performance 2015-16

Following the approval of the Boards Integration Scheme by Scottish Ministers on 3rd October 2015 the IJB has operated as a shadow board with services not formally delegated until 1st April 2016. Therefore the financial transactions for 2015/16 were restricted to the costs of the Chief Officer following appointment on 5th November 2015 and the external audit fee for the IJB.

Financial Outlook and Key Risks

The IJB faces ongoing service and cost pressure arising from a range of issues. Both of the Parties to the IJB are facing challenges in meeting the demands for services within the finances available; this will have a direct consequence on the funding provided to the IJB. Within the IJB the major risk to managing the financial position arises from demographic pressures. The significant growth anticipated in the number of older people and their need for suitable services requires innovative solutions to allow services to be provided within the funding available and the ability of the partnership to transform services to help meet this demand.

.....

Julie White
Chief Officer
Dumfries and Galloway Integration Joint Board

.....

Councillor Jim Dempster
Chair
Dumfries and Galloway Integration Joint Board

.....

Katy Lewis
Chief Finance Officer
Dumfries and Galloway Integration Joint Board

22nd September 2016

Section 2: Statement of Responsibilities

This statement sets out the respective responsibilities of the IJB and the Chief Finance Officer, as the IJB's Section 95 Officer, for the financial statements.

The IJB's responsibilities

The IJB is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Dumfries and Galloway IJB that officer is the Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Annual Report and Financial Statements for signature.

.....
Councillor Jim Dempster
Chair
Dumfries and Galloway Integration Joint Board

22nd September 2016

Responsibilities of the Chief Finance Officer

The Chief Finance Officer, as S95 Officer, is responsible for the preparation of the IJB's Financial Statements which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (*The Code*), are required to present a true and fair view of the financial position of the IJB at the accounting date and its transactions for the period.

In preparing these Financial Statements, 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 the Code of Practice and legislation;
- 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 Dumfries and Galloway IJB at the reporting date and the transactions of Dumfries and Galloway IJB for the period ended 31 March 2016.

.....
Katy Lewis ACMA
Chief Finance Officer
Dumfries and Galloway Integration Joint Board

22nd September 2016

Section 3: Annual Governance Statement

This statement sets out the framework within which the IJB has put in place proper arrangements (known as the governance framework) for the governance of the IJB's affairs. The governance framework facilitates the effective exercise of the IJB's functions, ensuring that appropriate arrangements are in place for the management of risk and that appropriate systems of internal financial control are in place.

Scope of Responsibility

Dumfries and Galloway 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. The IJB also has a duty under the Local Government Act 2003 to make arrangements to secure 'Best Value', through continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency, effectiveness, the need to meet the equal opportunity requirements, and contributing to the achievement of sustainable development.

In discharging this overall responsibility, the IJB is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The IJB complies with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on "*The Role of the Chief Financial Officer in Local Government 2010*". The IJB's Chief Finance Officer (Section 95 Officer) has overall responsibility for the IJB's financial arrangements, and is professionally qualified and suitably experienced to lead the IJB's finance function and to direct finance staff.

The IJB complies with the requirements of the United Kingdom Public Sector Internal Audit Standards 2013:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

The IJB uses the systems of Dumfries and Galloway Council and NHS Dumfries and Galloway to manage its financial records. The operational delivery of services within the NHS Dumfries and Galloway and Dumfries and Galloway Council, on behalf of the IJB, will be covered by their respective internal audit arrangements as at present.

The Audit and Risk Committee performs a scrutiny role in relation to the application of CIPFA's Public Sector Internal Audit Standards 2013 (PSIAS) and will regularly monitor the performance of the IJB's Internal Audit service. The IJB will appoint a Chief Internal Auditor who has responsibility to review independently and report to the Audit Committee annually, to provide assurance on the adequacy and

effectiveness of conformance with the Public Sector Internal Audit Standards (PSIAS).

Elected Members and officers of the IJB are committed to the concept of sound governance and the effective delivery of IJB services.

This statement explains how the IJB has complied with the Framework and also meets the requirements of The Local Authority Accounts (Scotland) Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, objectives and outcomes and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the IJB's policies, objectives and outcomes, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been developed within Dumfries and Galloway IJB for the period ended 31 March 2016 and up to the date of approval of this statement of accounts.

The Governance Framework

In relation to the development of its governance arrangements during 2015-16, the IJB has established a Strategic Planning Group as required by regulation to shape and influence the development of strategic plans, to provide views on any 'significant decision' being considered by the IJB and to provide support and comment within the Partnership on the development of policies across the full range of delegated functions.

A committee of the IJB, comprising both voting and non-voting members has been established to consider Audit and Risk matters, including these financial statements.

A Clinical and Care Governance Committee and a Performance and Finance Committee have also been established.

During 2015-16 a number of workshops have been provided for IJB members on various aspects of their role as set out in legislation and regulation and to assist

them to further understanding the services delivered and their role in supporting this delivery.

The IJB has approved a number of governance related documents in its first year including: Standing Orders, Scheme of Delegation, Complaints Policy, Freedom of Information, Risk Management Strategy. A Register of Members Interests has been established for IJB Members and IJB Members have been invited to sign the Code of Conduct for Members of Devolved Public Bodies.

A Performance and Finance Committee has been established and is due to have its initial meeting October/ November 2016. This committee will receive quarterly performance monitoring reports containing information against a range of health and social care related indicators that inform progress or otherwise against the implementation of strategic plans and objectives, provide an assessment of performance in relation to the 9 National Health and Wellbeing Outcomes and details action plans/recommendations arising from inspection bodies. The Performance Framework is anticipated to remain under on-going development and refinement for the length of the strategic commissioning cycle (i.e. 3 years). It will be fully reviewed and revised at the end of this period, at which time we will have a new strategic plan for the region.

From January to March 2016, the Care Inspectorate and Healthcare Improvement Scotland carried out a joint inspection of health and social work services for older people in Dumfries and Galloway. The purpose of this joint inspection was to assess whether the health and social work services improved outcomes for older people and their carers. The inspection involved the inspectors meeting with older people, their carers, and staff from health and social work services along with case file reading. The report from the inspection is due to be published in Autumn 2016. The Health and Social Care Partnership is currently preparing an action plan in response to the issues highlighted by the Inspection Team.

Following the appointment of the locality managers, significant progress was made in 2015/16 on the development and approval of locality plans for each of the four locality areas in Dumfries and Galloway. It was agreed that the four Area Committees would have a scrutiny role with regard to the implementation of the locality plans, the now developed performance reporting framework reflects this approach.

Internal Financial Control

The IJB's system of internal controls is based on a framework of regular management information, financial regulations, administrative procedures, management supervision and a system of delegation and accountability. The Board uses the systems of Dumfries and Galloway Council and NHS Dumfries and Galloway to manage its financial records.

Development and maintenance of the systems is undertaken by the NHS Dumfries and Galloway and Dumfries and Galloway Council as part of the operational delivery of the Health and Social Care Partnership. In particular the system includes:

- comprehensive budgeting systems;
- setting targets to measure financial and other performance;
- regular reviews of periodic and annual financial reports which indicate financial performance against forecasts and targets; and
- formal project management disciplines, as appropriate.

The Director of Finance, NHS Dumfries and Galloway and the Head of Finance and Procurement, Dumfries and Galloway Council have provided assurances that the charges for the services commissioned reflect the income and expenditure recorded in their financial systems and that they are complete and accurate reflecting appropriate charges.

Any system of control can only ever provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud, or breaches of laws or regulations. Accordingly, the Partners of the Integration Board are continually seeking to improve the effectiveness of its systems of internal control.

The main objectives of the Board's internal control systems are:

- To ensure adherence to policies and directives in order to achieve the organisation's objectives;
- To safeguard assets;
- To ensure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- To ensure compliance with statutory requirements.

As the service was in shadow period, no specific internal audit review was undertaken for the Board beyond those reviews provided by the partner organisations existing provision. The Chief Finance Officer has requested that the in house internal audit service for the NHS develop the IJB internal audit plan for 2016/17.

The system of financial control is reviewed to ensure continued effectiveness by the work of managers in the IJB and by the work of internal and external audit in their annual report and other reports.

Review of Effectiveness

The review of effectiveness of the governance framework including the system of internal controls is informed by the work of the Health and Social Care Senior Management Team within the IJB who have responsibility for the development and maintenance of the governance environment, the annual report by the Chief Internal Auditor, and also by reports/comments made by external audit and other review agencies and inspectorates.

The Chief Internal Auditor will report directly to the IJB Audit and Risk Committee on all audit matters with the right of access to the Chief Officer, Chief Finance Officer and the Chair of the Performance and Audit Committee.

In addition to regular reports to the IJB Audit and Risk Committee, the Chief Internal Auditor will prepare an annual report for the Audit and Performance Committee. Internal Audit aims to give reasonable assurance on the IJB's systems of internal control using a risk based programme of work.

Assurance

Subject to the above, and on the basis of the assurance provided, we consider that the governance and internal control environment operating during 2015/16 provides reasonable and objective assurance that any significant risk impacting on our principal objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment and action plans are in place to address identified areas for improvement.

.....

Julie White
Chief Officer
Dumfries and Galloway Integration Joint Board

.....

Councillor Jim Dempster
Chair
Dumfries and Galloway Integration Joint Board

22nd September 2016

Section 4: Remuneration Report

Introduction

There is a requirement under the Local Authority Accounts (Scotland) Regulations 2014 (SSI 2014/200) to provide a remuneration report as part of the annual statutory financial statements. There are no employees of the IJB.

Integration Joint Board

The voting members of the Integration Joint Board are nominated by the parent organisations: Dumfries and Galloway Council and NHS Dumfries and Galloway. There are five voting members from each parent organisation. The Chair of the IJB is Councillor Jim Dempster. The Vice-Chair of the IJB is Penny Halliday who also holds the role of vice chair of the NHS Board.

The other voting Board members during 2015/16 were:

Councillor Ian Carruthers	Dumfries and Galloway Council
Councillor Andy Ferguson	Dumfries and Galloway Council
Councillor Denis Male	Dumfries and Galloway Council
Councillor Ted Thompson	Dumfries and Galloway Council
Mr Jim Beattie	NHS Dumfries and Galloway
Ms Lesley Bryce	NHS Dumfries and Galloway
Mrs Grace Cardozo-McDowall	NHS Dumfries and Galloway
Mrs Moira Cossar	NHS Dumfries and Galloway

Senior officers

The Chief Officer was appointed by the Integration Joint Board on 5th November 2015, in consultation with the NHS Dumfries and Galloway and Dumfries and Galloway Council. The Chief Officer is employed by NHS Dumfries and Galloway and seconded to the Integration Joint Board. The Chief Officer post is funded by the NHS and they also hold the post of Chief Operating Officer for the NHS Board.

The Chief Finance Officer was appointed by the Integration Joint Board on 5th November 2015 and is employed by NHS Dumfries and Galloway as their Director of Finance. NHS Dumfries and Galloway meet the full cost of this remuneration.

Remuneration policy

The IJB does not pay allowances or remuneration to the voting board members. Voting board members are remunerated by their parent organisation. Voting board members receive expenses from their parent organisation

The IJB approved the appointment of the Chief Officer at its meeting of 5th November 2015. It was agreed by the Chief Executives of NHS and Local Authority that the role of the Chief Officer was jointly appointed by NHS Dumfries and Galloway and Dumfries and Galloway Council. The remuneration for the Chief Officer was agreed

by the NHS Board's remuneration committee based on the relevant Scottish Government guidance of the remuneration of NHS senior managers.

Remuneration

The board members and senior officers received the following remuneration in the period:

Single figure of remuneration for IJB 5th November to 31st March 2016				
	Salary, fees and allowances (Bands of £5,000)	Taxable Expenses (£'000)	Pension Benefits (£'000)	Total Remuneration in Year (Bands of £5,000)
Mrs J White	20-25	0	0	20-25
Single figure of total remuneration for 2015/16 employment				
Mrs J White	90-95	0	0	90-95
<i>Single figure remuneration for full year is as included in Dumfries and Galloway NHS Board 2015/16 accounts. Remuneration figure for IJB reflects the proportion of time allocated to the IJB for the year.</i>				

Pension benefits

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. The scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54 of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2015/16 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal retirement age is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment. All members, unless covered by agreed protection arrangements, automatically joined the NHS 2015 scheme on 1 April 2015. Further information is available on the Scottish Public Pensions Agency (SPPA) web site at www.sppa.gov.uk

The Chief Officer is a member of the NHS Pension Scheme. The pension contributions of Julie White, the Chief Officer for the year to 31 March 2016 are shown in the table below:

	For the year to 31 March 2016 £
In Year pensions contributions	13,616

The accrued pension benefits figures shown below relate to the benefits that Julie White, The Chief Officer has accrued as a consequence of their total NHS service and not just her current appointment.

Accrued Pension Benefits		
	Total accrued pension at age 60 as at 31 March (bands of £5,000)	CETV at 31 March (£'000)
Mrs J White	60-65	238

As the voting members are not remunerated by the IJB there is no disclosure of any pension benefits and contributions arising.

.....

Julie White
Chief Officer
Dumfries and Galloway Integration Joint Board

.....

Councillor Jim Dempster
Chair
Dumfries and Galloway Integration Joint Board

22nd September 2016

Section 5: Core Financial Statements

Comprehensive Income and Expenditure Statement for the period ended 31 March 2016

The (Surplus) or Deficit on the Statement of Income and Expenditure shows the income received from and expenditure delegated back to Dumfries and Galloway Council and NHS Dumfries and Galloway for the delivery of services.

2015-16	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000
Corporate Services	29	(29)	0
(Surplus)/deficit on provision of Health and Social Care Services	29	(29)	0
Net income and expenditure	29	(29)	0

Balance Sheet as at 31 March 2016

The Balance Sheet shows the value as at the Balance Sheet date of assets and liabilities recognised by the Dumfries and Galloway IJB. The net assets of the Board (assets less liabilities) are matched by the reserves held by the Board.

	Note	31 March 2016 £000
Current Assets		
Short Term Debtors	8	5
Current Liabilities		
Short Term Creditors	9	5
Net Assets		0
Usable Reserves		0
Unusable Reserves		0
Total Reserves		0

Movements in Reserves Statement

In this first period of the IJB there is neither a surplus nor a deficit and therefore no Reserves have been created. As the IJB has no reserves there is no movement in reserves to be disclosed.

The Statement of Accounts present a true and fair view of the financial position of the Dumfries and Galloway Integration Joint Board as at 31 March 2016 and its income and expenditure for the period from establishment to the year ended 31 March 2016.

.....
Katy Lewis ACMA
Chief Finance Officer
Dumfries and Galloway Integration Joint Board

22nd September 2016

Section 6: Notes to the Core Financial Statements

Note 1: Accounting policies

i. General principles

The Dumfries and Galloway Integration Joint Board is formed under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 and is a Joint Venture between Dumfries and Galloway Council and NHS Dumfries and Galloway.

Integration Joint Boards (IJB's) are specified as section 106 bodies under the Local Government (Scotland) Act 1973 and as such are required to prepare their financial statements in compliance with the Code of Practice on Accounting for Local Authorities in the United Kingdom.

The Financial Statements summarise the Integration Joint Board's transactions for the 2015-2016 financial year and its position at the period ended 31 March 2016.

ii. Accruals of expenditure and income

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- All known specific and material sums payable to the IJB have been brought into account.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

iii. Going Concern

The Financial Statements are prepared on the going concern basis, which provides that the entity will continue in operational existence for the foreseeable future.

iv. Accounting Convention

The Financial Statements are prepared on an historical cost basis.

v. Funding

The Integration Joint Board receives contributions from its funding partners namely Dumfries and Galloway Council and NHS Dumfries and Galloway to fund its services. Expenditure is incurred in the form of charges for services provided to the IJB by these partners.

vi. Events after the reporting period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue. Two types of events can be identified:

- Adjusting events: Those that provide evidence of conditions that existed at the end of the reporting period. The Financial Statements are adjusted to reflect such events
- Non-adjusting events: Those that are indicative of conditions that arose after the reporting period and the Statements are not adjusted to reflect such events. Where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect

Events taking place after the date of authorisation for issue are not reflected in the Financial Statements.

vii. Exceptional items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the IJB's financial performance.

viii. Related Party Transactions

As partners in the Joint Venture of Dumfries and Galloway Integration Joint Board both Dumfries and Galloway Council and NHS Dumfries and Galloway are related parties and material transactions with those bodies are disclosed in Note 7 in line with the requirements of IAS 24.

ix. Support services

Support services were not delegated to the IJB through the Integration Scheme and are instead provided by the parent organisations free of charge as a 'service in kind'. The support services provided mainly consist of: provision of the Chief Officer, Chief Finance Officer, strategic planning, performance management, financial management, human resources, legal committee services, ICT and payroll.

x. Provisions, contingent assets and liabilities

Provisions

Provisions are made where an event has taken place that gives the IJB a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Income and Expenditure Statement in the year that the IJB becomes aware of the obligation and measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision held in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic

benefits will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Contingent assets and liabilities

A contingent asset or liability arises where an event has taken place that gives the IJB a possible obligation or benefit whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the IJB. Contingent liabilities or assets also arise in circumstances where a provision would otherwise be made but, either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent assets and liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts where they are deemed material.

Clinical and Medical Negligence

The Integration Joint Board provides clinical services to patients under the statutory responsibility of NHS Dumfries and Galloway. In connection with this, it is responsible for any claims for medical negligence arising within the services it commissions, up to a certain threshold per claim. For claims in excess of this threshold, the IJB is a member of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) established by the Scottish Government which reimburses costs to members where negligence is established.

The IJB makes a provision for claims notified by the NHS Central Legal Office according to the value of the claim and the probability of settlement. Where a claim is not provided for in full, the balance is included as a contingent liability. The corresponding recovery from CNORIS in respect of amounts provided for is recorded as a debtor and that, in respect of amounts disclosed as contingent, liabilities are disclosed as contingent assets.

xi. Reserves

In accordance with the Reserves Policy, reserves are created by appropriating amounts out of revenue balances in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year so as to be included within the Income and Expenditure Statement. Movements in reserves are reported in the Movement in Reserves Statement.

xii. Corresponding Amounts

The Integration Joint Board was established on 3rd October 2015 and hence the period to 31st March 2016 is its first period of operation. Consequently there are no corresponding amounts for previous years to be shown.

xiii. Segmental Reporting

Expenditure on services commissioned by the IJB from its partner agencies is analysed over the following elements:

- Children & Families
- Adult Social Work Services
- Older People
- People with PD
- People with a LD
- People with Mental Health Need
- Adults with addict/sub misuse
- Non Social Work Budgets
- Acute & Diagnostics Directorate
- Facilities & Clinical Support
- Mental Health Directorate
- Primary & Community Care
- Women & Children's Directorate

xiv. VAT

The IJB is not registered for VAT and as such the VAT is settled or recovered by the partner agencies.

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 HM Revenues & Customs (HMRC) and all VAT paid is recoverable from it. 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.

Note 2: Accounting Standards issued not adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

Issues included in the Annual Improvements to IFRSs 2011-2013 cycle are:

- IFRS 1: Meaning of effective IFRSs; and
- IFRS 3: Scope exceptions for joint venture

Note 3: Critical judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1, the partner organisations have had to make certain judgements about complex transactions or those involving uncertainty about future events. For the shadow period, no critical judgements have been made.

Note 4: Assumptions made about the future and other major sources of estimation uncertainty.

The Financial Statements contain estimated figures that are based on assumptions made by the IJB about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

There are no items in the IJB's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year.

Note 5: Events after the Balance Sheet date

The Financial Statements were signed by the Chief Finance Officer on 22nd September 2016. Where events which took place before this date provided information about conditions which existed at 31 March 2016, the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. Events taking place after this date have not been reflected in the financial statements and notes.

Note 6: External audit cost

The IJB has incurred costs of £5,000 in respect of fees payable to Audit Scotland with regard to external audit services carried out in 2015-2016.

Note 7: Related parties

The Dumfries and Galloway IJB was established on 3rd October 2015 as a body corporate. In 2015/16 the following transactions were made with NHS Dumfries and Galloway and Dumfries and Galloway Council relating to integrated health and social care functions:

Income – payments for integrated functions	2015-16
	£000
NHS Board	(29)
Local Authority	0
Total	(29)

Corporate Expenditure	2015-16
	£000
Staff Costs	24
Audit Fees	5
Total	29

Note 8: Short Term Debtors

	2015/16
NHS Dumfries and Galloway	5
Total Short Term Debtors	5

Note 9: Short Term Creditors

	2015/16
PWC – Audit Fee	5
Total Short Term Creditors	5

Note 10: Segmental Analysis

Segmental analysis, as required under IFRS has been reported for each service group commissioned by the IJB.

Service	2015/16 Expenditure	2015/16 Income
Corporate Directorate	29	(29)
Total IJB Services	29	(29)

Note 11: Contingent Liabilities

A review of potential contingent assets and liabilities has been undertaken for the IJB and none have been identified at 31 March 2016.

Section 7: Independent Auditors' Report

Independent auditor's report to the members of Dumfries and Galloway Integration Joint Board and the Accounts Commission for Scotland

We certify that we have audited the financial statements of Dumfries and Galloway Integration Joint Board for the period ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Balance Sheet, and the related notes. 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 2015/16 (the 2015/16 Code).

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 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 body and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2015/16 Code of the state of the affairs of the body as at 31 March 2016 and of the income and expenditure of the body for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 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.

Opinion on other prescribed matters

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

.....

Lindsey Paterson (for and on behalf of PricewaterhouseCoopers LLP)

141 Bothwell Street

Glasgow

G2 7EQ

22nd September 2016

Section 8: Glossary of Terms

While the terminology used in this report is intended to be self-explanatory, it may be useful to provide additional definition and interpretation of the terms used.

Accounting Period

The period of time covered by the Financial Statements, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Asset

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

Audit of Financial Statements

An independent examination of the IJB's financial affairs.

Balance Sheet

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

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Creditor

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

Debtor

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

Depreciation

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the IJB's non-current assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

Entity

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

Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Financial Statements are authorised for issue.

Exceptional Items

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

Health and Social Care Partnership

Is the name given to the Parties' service delivery organisation for functions which have been delegated to the Integration Joint Board.

IAS

International Accounting Standards.

Lead Partnership

Management of certain services on a pan Ayrshire basis by one HSCP on behalf of other IJBs in the NHS Board area.

Liability

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

NRAC

National Resource Allocation Committee. This committee generates a formula to reflect the needs of a population based on the population demographics, deprivation, rurality etc.

Provisions

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

PSIAS

Public Sector Internal Audit Standards 2013

Related Parties

Bodies or individuals that have the potential to control or influence the IJB or to be controlled or influenced by the IJB. For the IJB's purposes, related parties are deemed to include Elected Members, the Chief Executive, the Executive Directors and their close family and household members.

Remuneration

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

Reserves

The accumulation of surpluses, deficits and appropriation over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the IJB. Some capital reserves such as Fixed Asset Restatement Account cannot be used to meet current expenditure.

Set Aside

The amount set aside by the NHS Dumfries and Galloway for delegated services provided in large hospitals for the population of the IJB.

The Code

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

Useful Economic Life

The period over which the local authority will derive benefits from the use of a non-current asset.