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Aberdeen City Health & Social Care Partnership

A caring partnership

To: Members of the Integration Joint Board

Town House,
ABERDEEN 6 October 2022

INTEGRATION JOINT BOARD

The undernoted items are circulated in connection with the meeting of the **INTEGRATION JOINT BOARD** to be held REMOTELY on **TUESDAY, 11 OCTOBER 2022 at 10.00 am.**

VIKKI CUTHBERT
INTERIM CHIEF OFFICER - GOVERNANCE

BUSINESS

PERFORMANCE AND FINANCE

6.1 Audited Final Accounts 2021/22 - HSCP.22.081 (Pages 3 - 98)

Website Address: <https://www.aberdeencityhscp.scot/>

Should you require any further information about this agenda, please contact Emma Robertson, emmrobertson@aberdeencity.gov.uk

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Integration Joint Board

Date of Meeting	11 October 2022
Report Title	Audited Final Accounts 2021/22
Report Number	HSCP.22.281
Lead Officer	Paul Mitchell, Chief Finance Officer
Report Author Details	Paul Mitchell, Chief Finance Officer paumitchell@aberdeencity.gov.uk
Consultation Checklist Completed	No
Appendices	A: Audited Final Accounts 2021/22 B: Letter of Representation C: Annual Audit Report

1. Purpose of the Report

- 1.1. The Risk, Audit and Performance Committee (RAPC) reviewed and considered the unaudited final accounts at its meeting on the 26 April 2022;
- 1.2. The purpose of this report is to allow the Integration Joint Board (IJB) to consider and approve the audited final accounts for 2021/22.

2. Recommendations

It is recommended that the IJB:

- a) Consider and agree the Integration Joint Board's Audited Accounts for 2021/22, as attached at Appendix A.
- b) Instruct the Chief Finance Officer to submit the approved audited accounts to NHS Grampian and Aberdeen City Council.
- c) Instruct the Chief Finance Officer to sign the representation letter, as attached at Appendix B.



Integration Joint Board

- d) Note the recommendations and management comments on the Annual Audit Report, as attached at Appendix C

3. Summary of Key Information

- 3.1. This is the fifth time that a full set of accounts have been prepared for the Integration Joint Board (IJB).
- 3.2. A great deal of work has been undertaken at a national level to agree on a proposed approach to the Integration Joint Board Accounts. Even then there will be changes in format and the disclosures contained in the accounts based on local circumstances. However, the major disclosures and format is based on a template commissioned by the Scottish Government with the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 3.3. The accounts are based on the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and follow the format of the accounts used by local authorities as the IJB is recognised as a local government body, under Part VII of the Local Government (Scotland) Act 1973.
- 3.4. The audit of the accounts was conducted from May 2022 to September 2022. The final audited accounts have been brought back to the IJB for approval. During the audit process some minor changes were made to the accounts, largely presentational changes.
- 3.5. Aberdeen City Council have embarked on a process to shorten the timescale for closing the final accounts. As the IJB accounts feed into the Aberdeen City Council accounts, the IJB accounts have been collated quicker than most other IJBs in Scotland. The audited Aberdeen City Council accounts, including the group accounts will be approved by the Audit, Risk and Scrutiny Committee on 27 September 2022.



Integration Joint Board

3.6. The accounts follow the following format:

- **Management Commentary** - Explains the performance over the last financial year and highlights some of the potential risks during the next financial year.
- **Remuneration Note** – contains details of the pay and pension benefits accrued by the senior officers of the IJB during 2021/22.
- **Annual Governance Statement** – Highlights the Governance Framework in place and describes performance and improvements against the local code of governance. This contains the assurances from Aberdeen City Council and NHS Grampian. It also contains wording from the Chief Internal Auditor on the internal control environment
- **Financial Statements** – contains details of the financial transactions, including the Income & Expenditure Account, Balance Sheet and Movement in Reserves Statement.
- **Notes to the Accounts** – including the financial policies used by the IJB over this period and the relevant disclosures required through the code.

3.7. At the end of the financial year the IJB has £51,392,001 in its useable reserve at the end of the financial year, which has largely been allocated for specific projects.

4. Implications for IJB

4.1. **Equalities** – There are no equalities implications arising from this report.

4.2. **Fairer Scotland Duty** – there are no direct implications for the Fairer Scotland Duty arising from this report.

4.3. **Financial** – the financial implications are highlighted throughout the report and in the appendix.

4.4. **Workforce** - there are no direct implications arising from this report.



Integration Joint Board

4.5. **Legal** – publishing annual accounts is a requirement under the Local Authority Accounts (Scotland) Regulations 2014, which set out the statutory requirements on the IJB in respect to the annual accounts, their availability for public inspection and the consideration and signing by the IJB.

4.6. **Other** – There are no other implications arising from this report

5. Links to ACHSCP Strategic Plan

5.1. Sustainable finance is highlighted as one of the fundamental elements which we need to develop further in order to meet all our strategic objectives. The audited annual accounts provide an independent opinion on the financial statements.

6. Management of Risk

6.1. Identified risks(s) and link to risks on strategic risk register:

- **Strategic Risk 2:** There is a risk of financial failure, that demand outstrips budget and IJB cannot deliver on priorities, statutory work, and project an overspend.
- **Strategic Risk 4:** There is a risk that relationship arrangements between the IJB and its partner organisations (Aberdeen City Council and NHS Grampian) are not managed to maximise the full potentials of integrated & collaborative working. This risk covers the arrangements between partner organisations in areas such as governance; corporate service; and performance.
- **Strategic Risk 6:** There is a risk of reputational damage to the IJB and its partner organisations resulting from complexity of function, delegation and delivery of services across health and social care.
- **Strategic Risk 7:** There is a risk of failure to deliver transformation at a pace or scale required by the demographic and financial pressures in the system.



Integration Joint Board

6.2. **How might the content of this report impact or mitigate these risks:**

The audited accounts are an important document for the IJB, demonstrating financial performance over the year and are independently audited. Recommendations could be received from the external auditors which impact on any of the strategic risks highlighted above.

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Aberdeen City Health & Social Care Partnership
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Aberdeen City Integration Joint Board

Audited Annual Accounts 2021/22



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Management Commentary

The Role and Remit of the Integration Joint Board (IJB)

The Integration Joint Board (IJB) was formed as a result of the Public Bodies (Joint Working) (Scotland) Act 2014. The Act provides a framework for the integration of adult community health and social care services. The strategic planning for, and/or delivery of, these services was previously the responsibility of NHS Grampian (NHSG) and Aberdeen City Council (ACC) respectively and was delegated to the IJB with effect from 1 April 2016. Some services such as adult social work, GP services, district nursing, and allied health professionals are fully delegated and the IJB has responsibility both for the strategic planning and governing oversight of these. Other services are Grampian-wide services which Aberdeen City IJB “host” on behalf of all three IJBs in the NHS Grampian area. There are also hospital-based services. Aberdeen City IJB has responsibility for the strategic planning of both hosted and hospital-based services.

Hosted Services

Intermediate care of the elderly and specialist rehabilitation

Sexual health

Acute mental health and learning disability

Hospital-Based Services

Accident and emergency services provided in a hospital

Inpatient hospital services relating to the following branches of medicine:

- (a) general medicine
- (b) geriatric medicine
- (c) rehabilitation medicine
- (d) respiratory medicine
- (e) palliative care
- (f) mental health
- (g) psychiatry of learning disability

The policy ambition is to improve the quality and consistency of services to patients, carers, service users and their families; to provide seamless, joined-up, quality health and social care services in order to care for people in their own homes or a homely setting where it is safe to do so; and to ensure resources are used effectively and efficiently to deliver services that meet the increasing number of people with longer-term and often complex needs, many of whom are older. The IJB has governing oversight whilst Aberdeen City Health and Social Care Partnership (ACHSCP) has responsibility for the operational delivery of these services.

The IJB sets the direction of ACHSCP via the preparation and implementation of the Strategic Plan and seeks assurance on the management and delivery of the integrated services through appropriate scrutiny and performance monitoring, whilst ensuring the effective use of resources.

The IJB's Operations for the Year

The 2021 Economic Policy Panel Report notes that the energy sector is critical to the success of Aberdeen with 40% of Scottish energy sector enterprises located in the north-east and about 60,000 jobs supported by the sector in the region.

The downturn in oil and gas, which started in 2014 had not fully recovered even by the start of the pandemic, and this has led to a decline in relative economic performance across the region. The number of employees in the region fell by more than 15,000 between 2015 and the start of the pandemic in early 2020.

Despite this, on a Gross Value Added (GVA) per head basis, the north-east remained some 31% and 19.3% above the Scottish and UK averages respectively in 2019, with earnings also higher than the national average (£32,747 in Aberdeen in 2021 compared with £31,672 in Scotland and £31,285 in the UK).

The estimated population of Aberdeen (2020) is 229,060. The table below shows the anticipated population increase in the next 10 and 20 years in total and by the 65 to 74 and over 75 age groups. The significant rises in the over 75 age group is of concern given their high use of health and social care services.

	2030	2040
Total Population	+0.8%	+1.6%
65 – 74 age group	+10.6%	+4.1%
+75 age group	+20.4%	+46.0%

There is a mixture of affluent and deprived areas in the city. 22 of Aberdeen City's 283 data zones are in the most deprived 20%. Collectively this means a population of 18,055 accounting for 7.9% of the City's total population.

The COVID-19 pandemic has created health debt and additional demand from Long Covid. Alongside this increase in demand there are rising costs and reduced funding available. Continued transformation activity is crucial to ensure the IJB can deliver services and positive outcomes for the people who use them.

During the financial year 2021/22 the IJB committed to the following five high level objectives:

- Prioritising staff health and wellbeing and ensuring a collaborative, compassionate and supportive approach to recovery.
- Reshaping our relationship with communities, focusing on an integrated approach to the way we think about physical, mental and social health, supporting individuals to manage and improve their health and wellbeing and building resilient networks to ensure that there is joint planning and co-ordination of critical elements that impact health

- Reshaping our commissioning approach, reviewing commissioned services across ACHSCP to ensure that the model of delivery is in-line with our strategic commissioning plan and strategic aims of the IJB.
- Whole system and connected remobilisation ensuring remobilisation is undertaken through a planned and measured approach to create stability and resilience across our health and care services enabling us to meet population needs and maximising the learning and changes we have implemented during the global pandemic response. Undertake a redesign of 2c practices to deliver a sustainable service based on patient profile, population needs assessment and available resource will be completed. If redesign is not achievable within resource, then a merge of practices to match resources will be undertaken. Continue to review our Primary Care delivery, modernising and improving outcomes where possible.
- Together with our partner, making wider communities more resilient, focusing on supporting those communities most impacted by COVID-19 ensuring they are better placed to cope as we learn to rebuild and renew our health services, our communities, education and economy. Improved sustainability of commissioned services across Aberdeen City to reduce impact on secondary and primary care and deliver better outcomes for people. Consider the impact of long Covid on our health and social care system

Psychological support has continued to be available to staff in addition to a range of welfare initiatives and wellbeing therapies such as the provision of teas, coffees and snacks in the workplace and offering massage and mindfulness sessions. Staff were reminded to take scheduled leave throughout the year despite continued pressure due to COVID-19 variants. Teams were also encouraged to hold regular check-in sessions and ongoing temperature checks were taken to gauge the success of the welfare initiatives.

In July 2021, following significant engagement with the Locality Empowerment Groups and work to refresh the Local Outcome Improvement Plan (LOIP), the IJB approved Locality Plans for each of the three localities. As a result of the joint community planning arrangements the plans cover priority areas across both the Localities and the Priority Neighbourhoods encompassing all aspects of community life, not just health and social care. Delivery of the plans will be monitored and reported through both the Community Planning Aberdeen (CPA) and the IJB governance arrangements.

In terms of commissioning, progress has been made against the key objectives of reviewing mental health and learning disability services. In addition, a procurement strategy has been developed for training and skills development services available for people with mental health and learning disabilities. The Procurement Workplan for 2022/23 was approved at the IJB meeting on 10th March 2022. The new approach to Care at Home has continued to be embedded successfully and has proven to be invaluable in maintaining patient flow from hospital to home. Capacity and occupancy in Care Homes is monitored on a regular basis as well as outbreak status and availability for admissions.

Services have been remobilised as per the NHS Grampian Remobilisation Plan and the contingency arrangements in place over the course of the response to the

pandemic. The redesign of 2C GP practices was mainly completed by March 2022. Community Treatment and Assessment Centres (CTAC) continues to be the ambition for service delivery in the community and arrangements will be progressed in 2022/23. The COVID-19 vaccination delivery in Grampian has been very successful. The Immunisation Blueprint was approved in August 2021 and work is ongoing to embed this. Expenditure on the Primary Care Improvement Plan has been reviewed and reported. A full refresh of the plan itself is scheduled for 2022/23.

The Care Home Support Team is in place and continues to support improvements in the quality and efficiency of services delivered. TURAS reporting continues and is invaluable in oversight of capacity within the residential sector. The Care Home Oversight Group continues to meet to support homes with Infection Prevention and Control maximising the availability of capacity throughout the pandemic. MDT Wraparound Care Teams continue to provide support to care homes depending on need.

The Medium-Term Financial Framework (MTFF) approved by the IJB on 10 March 2022 includes a forecast of the financial position for the next seven financial years and is reviewed annually. Contained in the MTFF were proposals to balance the 2022/23 budget which were fully aligned to the programme of transformation. The IJB continues to work to deliver on the ambitions of this MTFF and ensure financial balance.

The IJB's Position at 31 March 2022

The accounts for the year ended 31 March 2022 show a usable reserves position of £51,392,001 (£18,235,780 2021/22). The IJB agreed a reserves strategy and previously agreed to hold back as earmarked reserves £2.5 million as a risk fund.

The majority of public sector organisations are facing challenges balancing their budgets in a context of increasing demand and costs, while the funding available is reducing in real terms. The 2022/23 budget was agreed on 10 March 2022 and included £1.3 million of budget reductions.

The major risk in terms of funding to the Integration Joint Board (IJB) is the level of funding delegated from the Council and NHS and whether this is sufficient to sustain future service delivery. There is also a risk of additional funding being ring-fenced for specific priorities and policies, which means introducing new projects and initiatives at a time when financial pressure is being faced on mainstream budgets.

The IJB has made arrangements with adult social care providers to allow the Scottish Living Wage to be paid in 2021/22. This was possible due to additional funding being made available from the Scottish Government to implement this policy commitment.

Demand is expected to continue to rise given the increase in the number of over-65s forecast. At the same time the complexity of the care required is increasing due to improvements in medicine and the increased average life expectancy evidenced over the last few decades. This is evidenced in by our increasing social care spend on clients with learning disabilities. Also, there are greater expectations being placed on our services by clients and this, along with expectations from our other stakeholders, continues to drive performance on targets such as waiting times.

At the time of preparing the final accounts and producing the 2021/22 Medium Term Financial Framework the impact of the coronavirus on the finances of the IJB remains uncertain. It was anticipated that some of the financial consequences of the coronavirus would receive additional funding from the Scottish Government, however, where the additional costs would be incurred, and the level of any additional funding required further work. During the financial year a number of reports were taken to the IJB tracking the impact of Covid on the IJB Budget. At the end of the financial year both the direct and indirect costs of Covid were fully funded by the Scottish Government.

The IJB's Strategy and Delivery Plan

2021/22 was the final year of the current Strategic Plan. Progress will be reported in our Annual Performance Report to the IJB in August 2022. Work is currently ongoing on preparing our next Strategic Plan for the period 2022 to 2025 which will be presented to the IJB for approval on 7th June 2022. The time period for the next plan should take us to the point where the National Care Service (NCS) as proposed by the Independent Review of Adult Social Care, by Derek Feeley, is introduced. Whilst the details of the NCS are not yet known we anticipate there will be a degree

of work involved in the implementation of it. We are determined that this will not distract or divert us from our strategic focus.

For this reason, for the next iteration of our Strategic Plan we have developed a detailed 3-year Delivery Plan to help ensure we stay on track. We will be mindful of the role that Aberdeen City IJB can play in shaping the NCS and will ensure we are fully engaged at a national level, influencing and assisting with the reforms proposed, using every opportunity to bring the voice, view and opinion of our local system to those important conversations.

In Aberdeen, to date, we are confident that we have maximised the levers the integration agenda affords us. Our Integration Joint Board (IJB) has made bold and brave decisions resulting in integrated services, positive relationships, and improved outcomes for local communities. It is vital we continue this journey whilst sharing our successes to show what can be achieved when the integration principles are fully embraced.

The Delivery Plan contains the actions we will take over the next three years to deliver on our Strategic Aims and Priorities. These actions vary in size and complexity and will be delivered using our existing programme and project management approach as appropriate. Progress against these actions will be monitored via the Executive Programme Board, Risk Audit and Performance Committee and IJB as well as being reporting in each of our Annual Performance Reports over the next three years.

Key Risks and Uncertainties

The key strategic risks (High risks), as contained in the Strategic Risk Register, along with an assessment of level of risk facing the IJB, are as indicated below.

The Strategic Risk Register is monitored and updated frequently by the IJB Leadership Team, who in turn report to the IJB and Risk, Audit & Performance Committee and the IJB on a regular basis.

The IJB held a workshop October 2021 on the Strategic Risk Register and the Board's Risk Appetite Statement and made some amendments to these

documents to reflect the Board's risk appetite as at October 2021.

Work has been undertaken to edit the content of each risk, as requested by the IJB. The risk owners have undertaken this task as well as making revisions to the description of the strategic risks, following the "case/event/consequence" model which was described and used at the IJB Workshop.

The Strategic Plan 2022-2025 will be considered by the IJB at its meeting in June 2022. It is proposed that the Strategic Risk Register be reviewed in full following the approval of the Strategic Plan.

The IJB at its meeting on the 15 December 2021 approved the revised Strategic Risk Register and Risk Appetite Statement. The risks that are classed as **High or Very High** risk on the Strategic Risk Register are detailed below:

- 1. Cause:** The strategic commissioning of services from third and independent sector providers requires both providers and ACHSCP to work collaboratively (provider with provider and provider and ACHSCP) in order to strategically commission and deliver services to meet the needs of local people. This is a new dynamic, based on mutual trust. **Event:** Limitations to the extent with which strategic commissioning of services progresses between ACHSCP and third and independent providers of health and social care. **Consequence:** There is a gap between what is required to meet the needs of local people, and services that are available; consequences to the individual include not having the right level of care delivered locally, by suitably trained staff; consequences to the sector include investments made in services that will not be fully utilised and thereby risks to sustainability; and consequences to the partnership includes an inability to meet peoples needs for health and care and the additional financial burden of seeking that care in an alternative setting.

Mitigating Actions:

- All opportunities to work in a collaborative manner to commission services are advertised on Public Contract Scotland, as well as individual invitations made to CEOs / owners of social care services.
 - Additional offers are made to encourage dialogue where the provider is unavailable to attend collaborative commissioning workshops etc.
 - Agreed strategic commissioning approach for ACHSCP.
 - Strategic commissioning programme board (SCPB members) established to provide governance framework for commissioning activity.
- 2. Cause-**IJB financial failure and projection of overspend. **Event-**Demand outstrips available budget. **Consequence-**IJB can't deliver on its strategic plan priorities, statutory work, and projects.

Mitigating Actions:

- The Leadership Team are committed to driving out efficiencies, encouraging self-management and moving forward the prevention agenda to help manage future demand for services.
- 3. Cause:** Under Integration arrangements, Aberdeen IJB hosts services on behalf of Moray and Aberdeenshire, and who also hosts services on behalf of Aberdeen City. **Event:** hosted services do not deliver the expected outcomes, fail to deliver transformation of services, or face service failure. **Consequence:** Failure to meet health outcomes for Aberdeen City, resources not being maximised and reputational damage.

Mitigating Actions:

- Development of Service Level Agreements for 9 of the hosted services considered through budget setting process.
- In depth review of the other 3 hosted services.

- Quarterly reporting to ACSPG and annual reporting on budget setting to IJB (once developed).
4. **Cause:** Performance standards/outcomes are set by national and regulatory bodies and those locally-determined performance standards are set by the board itself. **Event:** There is a risk that the IJB, and the services that it directs and has operational oversight of, fails to meet the national, regulatory and local standards. **Consequence:** This may result in harm or risk of harm to people.

Mitigating Actions:

- Continual review of key performance indicators
 - Review of and where and how often performance information is reported and how learning is fed back into processes and procedures.
 - On-going work developing a culture of performance management and evaluation throughout the partnership
 - Refinement of Performance Dashboard, presented to a number of groups, raising profile of performance and encouraging discussion leading to further review and development
 - Recruitment of additional resource to drive performance management process development
 - Risk-assessed plans with actions, responsible owners, timescales and performance measures monitored by dedicated teams
 - Restructure of Strategy and Transformation Team which includes an increase in the number of Programme and Project Managers will help mitigate the risk of services not meeting required standards.
 - Use of Grampian Operational Pressure Escalation System (G-OPES) and Daily and Weekly System Connect Meetings help to mitigate the risk of services not meeting standards through system wide support.
5. **Cause:** Complexity of function, decision making, and delegation within the Integration Scheme. **Event:** IJB fails to manage this complexity. **Consequence:** reputational damage to the IJB and its partner organisations.

Mitigating Actions:

- Staff and customer engagement – recent results from iMatter survey alongside a well-established Joint Staff Forum indicate high levels of staff engagement.
- Effective performance and risk management
- Clear communication & engagement strategy, and a clear policy for social media use, in order to mitigate the risk of reputational damage.
- Communications staff membership of Leadership Team facilitates smooth flow of information from all sections of the organisation
- Robust relationships with all local media are maintained to ensure media coverage is well-informed and accurate and is challenged when inaccurate/imbalanced.
- Locality Empowerment Groups established in each of the three localities, ensuring effective two-way communication between the partnership, partner organisations and a wide range of community representatives in North, South and Central. Consultation and engagement exercises are also carried out with

service users, staff and partners throughout service change processes to gain detailed feedback and act upon it.

- Through the Locality Empowerment Groups help inform plans which will identify priorities to improve health and wellbeing for local communities, seeking the views and input of the public on these Groups.

6. **Cause:** Demographic & financial pressures requiring IJB to deliver transformational system change which helps to meet its strategic priorities.
Event: Failure to deliver transformation and sustainable systems change.
Consequence: people not receiving the best health and social care outcomes

Mitigating Actions:

- Programme management approach being taken across whole of the Partnership
 - Transformation team all trained in Managing Successful Programmes methodology
 - Regular reporting of progress on programmes and projects to Executive Programme Board
 - Increased frequency of governance processes Executive Programme Board now meeting fortnightly and creation of huddle delivery models.
 - A number of plans and frameworks have been developed to underpin our transformation activity across our wider system including: Primary Care Improvement Plan, Action 15 Plan and Immunisation Blueprint, all of these are being revised in light of Covid and future priorities.
 - Restructure of Strategy and Transformation Team which includes an increase in the number of Programme and Project Managers will help mitigate the risk of services not meeting required standards.
7. **Cause-**Impact of Covid19 has accelerated and accentuated long-term workforce challenges. **Event:** Insufficient staff to provide patients/clients with services required. **Consequence:** Potential loss of life and unmet health and social care needs, leading to severe reputational damage.

Mitigating Actions:

- Significantly increased emphasis on health/wellbeing of staff
- ACHSCP Workforce Plan
- Service redesign ongoing
- Engagement with schools to raise ACHSCP profile (eg Developing the Young Workforce, Career Ready)
- Work with training providers and employers to encourage careers in Health and Social Care (eg Foundation Apprenticeships/Modern Apprenticeships through NESCOL, working with Department for Work and Pensions)
- Greater use of commissioning model to encourage training of staff
- Increased emphasis on communication with staff
- Greater promotion of flexible working
- Testing implementation of hybrid working and its long-term expansion
- increased collaboration and integration between professional disciplines, third sector, independent sector and communities through Localities.

- Increased monitoring of staff statistics (sickness, turnover, CPD, complaints etc) through daily Leadership Team meetings, identifying trends.
- Awareness of new Scottish Government, NHSG and ACC workforce policies and guidelines

8. Cause: IJB's becoming Category 1 Responders under the Civil Contingencies Act 2004. **Event:** Potential major impact to the citizens of Aberdeen if IJB does not manage its responsibilities under the Act

Consequence: Potential risk to life, loss of buildings, reputational damage.

Mitigating Actions:

- The Grampian Local Resilience Partnership (GLRP) identifies risks which are likely to manifest. The Partnership require to have controls in place to manage these risks, particularly the ability to respond to these in an emergency situation.
- Aberdeen City Council are currently reviewing the risks in the City within its risk registers to ensure that the control actions listed are sufficient to mitigate risks. During this process, the additional risks may well be identified, based on risk assessment within operational areas, which may impact on the ability to respond. The result will be a risk register incorporating all risks relating to organisational resilience for the City. The City Resilience Group will be responsible for managing these risks through its membership and liaison with other services not represented on the Group.
- Senior Manager On Call governance documents and arrangements within the Aberdeen City Health and Social Care Partnership (stored on Teams and hard copy), and links into the equivalent structures in ACC and NHSG.
- The Partnership's Civil Contingencies Group has a requirement to monitor Business Continuity Plans across the Partnership, including an overarching Partnership Business Continuity Plan (BCP).
- The Partnership's Communications staff are available to issue media releases and to answer any media enquiries relating to ACHSCP services which would be or could be impacted in an emergency, in close consultation with ACHSCP Leadership Team members. IJB members, senior elected members of Aberdeen City Council, and appropriate senior management members at the city council and NHS Grampian would be kept informed in advance of information which was due to be released by ACHSCP into the public domain. A log would be kept of all information released internally and externally in order that an audit trail is maintained of all communications activity.
- Data taken off Care First system to identify vulnerable people to help emergency response.
- Recruitment of volunteers to the position of "Managers on Call" who will support the Senior Managers on Call specifically in concurrent risks (eg patient flow and weather events)

Analysis of the Financial Statements

The accounts show usable reserves of £51,392,001 at 31 March 2022 (£18,235,780 at 31 March 2021).

The level of reserve has increased largely due to unspent funding provided by the Scottish Government to the IJB via NHS Grampian. In quarter 4, £17 million of additional funding was passed across to the IJBs to be earmarked for future COVID-19 costs, a further £4.8 million was passed across for initiatives which have not spent to the allocated level of funding due to recruitment challenges in the north east.

The majority of the services delegated to the IJB have been impacted in some way due to Covid. During the course of the year services have transitioned from being on an emergency footing to providing more services. Given the challenges the pandemic caused on service delivery, recruitment has been a major issue for services and accounts for a large part of the underspend, along with additional monies received from the Scottish Government which could not be spent this financial year. The underspend on mainstream services was £6.9 million.

A local mobilisation plan and process was developed by the Scottish Government to show the impact of Covid on the IJB budgets and also to support services during the lockdown. The local mobilisation plan was updated frequently through the financial year and additional funding allocations were made by the Scottish Government on the basis of these updates. For Aberdeen City IJB the final mobilisation plan was estimated to spend £12 million and this was received from the Scottish Government.

Budgets for large hospitals are managed by NHS Grampian. The IJB has a notional budget representing the consumption of these services by residents. The IJB is responsible for the strategic planning for these services as a result of the legislation which established the IJBs.

The services covered include:

- accident and emergency services at Aberdeen Royal Infirmary and Dr Gray's - inpatient & outpatient;
- inpatient hospital services relating to general medicine, geriatric medicine, rehabilitation medicine, respiratory medicine, learning disabilities, old age psychiatry, general psychiatry;
- palliative care services provided at Roxburghe House, Aberdeen, and The Oaks, Elgin.

One of the key priorities of the IJB and reasons why the IJBs were established is to improve pathways and reduce the use of these services. It has not been possible to update the days used figures as the data which this information is based on has not been prepared due to staff being allocated to support other parts of the health system due to the impact of Covid. The financial costs have therefore been updated by applying 3% to 2019/20 costs shown below.

Set Aside	2017/18	2018/19	2019/20	2020/21	2021/22
Budget	£41,344,000	£46,416,000	£46,410,000	£47,802,300	£49,408,000
Days used	142,349	143,055	137,732	n/a	n/a

Luan Grugeon

IJB Chair
April 2022



Sandra Macleod

Chief officer
April 2022



Paul Mitchell

Chief Finance Officer
*Effective from
18th July 2022*



Independent auditor's report to the members of Aberdeen City Integration Joint Board and the Accounts Commission

Reporting 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 Aberdeen City Integration Joint Board for the year ended 31 March 2022 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 UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021/22 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of the integration joint board as at 31 March 2022 and of the income and expenditure of the integration joint board for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. 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 were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is six years. We are independent of the integration joint 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 Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the integration joint board. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt

on the ability of the integration joint board to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the integration joint board. However, we report on the integration joint board's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

We report in our Annual Audit Report, the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Chief Finance Officer and Aberdeen Integration Joint Board 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.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the ability of the integration joint board to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the integration joint board.

The integration joint board is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the integration joint board is complying with that framework;
- identifying which laws and regulations are significant in the context of the integration joint board;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and

- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the integration joint board's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report

We have audited the part of the Remuneration Report described as audited. In our opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information

The Chief Finance Officer is responsible for statutory other information in the annual accounts. The statutory other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

Our responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this statutory other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the statutory other information and we do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit;

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in our Annual Audit Report.

Use of our report

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, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Michael Wilkie, (for and on behalf of KPMG LLP)
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

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 Financial Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland act 2003).
- approve the Annual Accounts.

I confirm that these Annual Accounts were approved for signature.

Signed on behalf of the Aberdeen City Integration Joint Board

Luan Grugeon
JB Chair
April 2022

Responsibilities of the chief financial officer

The chief financial officer is responsible for the preparation of the IJB's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts, the chief financial officer has:

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

The chief financial officer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

With effect from 18th July 2022, Paul Mitchell replaced Alex Stephen as the Chief Finance Officer of the Partnership. Alex Stephen left his post on 7th August 2022.

I certify that the financial statements give a true and fair view of the financial position of the Aberdeen City Integration Joint Board as at 31 March 2022 and the transactions for the year then ended.

Paul Mitchell

Chief Finance Officer

Effective from 18th July 2022

Remuneration Report

Introduction

This Remuneration Report is provided in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It discloses information relating to the remuneration and pension benefits of specified IJB members and staff.

The information in the tables below is subject to external audit. The explanatory text in the Remuneration Report is reviewed by the external auditor to ensure it is consistent with the financial statements.

Remuneration: IJB Chair and Vice-Chair

The voting members of the IJB are appointed through nomination by Aberdeen City Council and NHS Grampian. The positions of IJB Chair and Vice-Chair alternate between a Councillor and a Health Board representative every two years.

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 taxable expenses paid by the IJB are shown below.

Taxable Expenses 2019/20 £	Name	Post(s) Held	Nominated by	Taxable Expenses 2020/21 £
Nil	Cllr Sarah Duncan	Chair 01/01/19 to 23/03/21 Vice Chair 24/03/21 to 31/03/21	Aberdeen City Council	Nil
Nil	Luan Grugeon	Chair 24/03/21 to 31/03/22 Vice-Chair 27/03/19 to 23/03/21	NHS Grampian	Nil
Nil	Cllr Lesley Dunbar	Vice-Chair 01/04/21 to 31/03/22	Aberdeen City Council	Nil
Nil	Total			Nil

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 must be appointed and the employing partner must 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 Officers

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

Total 2020/21 £	Senior Employees	Salary, Fees & Allowances £	Taxable Expenses £	Total 2021/22 £
114,666	Sandra Macleod Chief Officer 3/09/18 to 31/03/22	121,507	-	121,507
88,165	Alex Stephen Chief Finance Officer 04/07/16 to 31/03/22	89,165	-	89,165
202,831	Total	210,672	-	210,672

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

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

Officer Name	Responsibility	Pension as at 31/3/2022 £000	Pension Difference from 31/3/2021 £000	Lump Sum as at 31/3/2022 £000	Lump Sum Difference from 31/3/2021 £000	Pension Contribution 2021/22 £	Pension Contribution 2020/2021 £
Sandra Macleod	Chief Officer 3/09/18 to 31/03/22	8	2	-	-	25,213	23,860
Alex Stephen	Chief Finance Officer 04/07/2016 – 31/03/2022	34	2	41	1	15,961	17,016
						41,174	40,876

The IJB does not have its own pension scheme, however, details of the Northeast of Scotland Pension scheme can be found in Aberdeen City Council's accounts and details of the NHS pension scheme can be found NHS Grampian's accounts. Both documents are available on their respective websites. The pension figures for the chief officer and chief finance officer are indicative based on last years.

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 -2020/21	Remuneration Band	Number of Employees in Band – 2021/22
1	£85,000 - £89,999	1
1	£110,000 - £114,999	0
0	£120,000 - £124,999	1

Exit Packages

No exit packages were paid to IJB staff during this period or the previous period.

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Sandra Macleod

Chief Officer

April 2022

Luan Grugeon

Chair

April 2022

Annual Governance Statement

Scope of Responsibility

The Integration Joint Board (“JB”) is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, safeguarding public funds and assets and making arrangements to secure best value in their use.

In discharging this responsibility, the Chief Officer has put in place arrangements for governance which include the system of internal control. This is designed to manage risk to a reasonable level but cannot eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable but not absolute assurance of effectiveness.

The JB has a reliance on the Aberdeen City Council and NHS Grampian systems of internal control, which support compliance with both organisations’ policies and promote achievement of each organisation’s aims and objectives, as well as those of the JB.

The result of this is a situation where assurances are required on the effectiveness of the governance arrangements from the three partners. This means that a significant failure in the internal control environment of one of the three partners may require to be disclosed in the accounts of all three partners and not just the JB and the partner where the issue occurred.

The Governance Framework

In this complex environment of circular assurances, it is important that the JB has its own local code of corporate governance and regularly reviews performance against the governance principles included within this code. The JB has developed an Assurance Framework in conjunction with the Good Governance Institute which provides readers with an understanding of the governance framework and the assurances that can be obtained from it.

The JB agreed on 11 April 2017 at the Audit & Performance Systems Committee to adopt a local code of corporate governance which was built around the principles identified in the CIPFA\SOLACE¹ Delivering Good Governance in Local Government Framework (2016 Edition). The local code of governance is reviewed annually and reported to the same audit committee where the annual governance statement is approved. This code provides a list of documents\activities from an JB, NHS Grampian and Aberdeen City Council perspective which provide assurance on the governance framework.

A review is also undertaken by the Chief Finance Officer evaluating the JB’s governance environment against the governance principles detailed in the CIPFA document titled the [‘The role of the chief financial officer in local government’](#).

Whilst both these documents were specifically written for local government, the governance principles can be used by other public sector organisations. Also, the JB

¹ CIPFA - The Chartered Institute of Public Finance and Accountancy

SOLACE – The Society of Local Authority Chief Executives

is defined as a local government organisation per the Local Government (Scotland) Act 1973 and Aberdeen City Council has also adopted the governance principles from the delivering good governance document in its own local code of corporate governance.

Coronavirus Arrangements

In relation to the coronavirus pandemic the Partnership reduced its service delivery and prioritised services to allow it to deal with the implications of the coronavirus and support a reduction in the spread of the virus by undertaking social distancing and reducing contact with service users. Governance arrangements have also been established in the Partnership where the status of service delivery is assessed and this is reported to a daily meeting of the leadership team, staff side unions and Bon Accord Care. At this meeting it is agreed what needs to be escalated and what can be agreed using the delegated authority of either the Chief Officer or Chief Finance Officer. These meetings are documented and supported by our control centre which was established to aid the flow of information.

These arrangements have continued throughout the financial year, however, were particularly important during the early waves where decisions were required to be made quickly. The IJB has been operating throughout the pandemic, but with light agendas during the first wave and no sub committees. Since then, the IJB agendas have returned to normal levels and the two sub committees now meeting regularly, although it was decided to cancel an IJB and Risk, Audit & Performance Meeting in January to help provide staff with time to respond to the omicron variant.

Seven Governance Principles of local governance framework.

Against each of the seven governance principles adopted by the IJB there are key documents, activities, policies and arrangements which help address these. For the IJB some of these documents belong to NHS Grampian and Aberdeen City Council given their operational delivery role and the fact that the staff have remained employed by the partner bodies.

The seven governance principles identified in the local code of corporate governance and recommended in the CIPFA/SOLACE Framework are identified below, along with narratives evidencing compliance with the principles.

Principle 1 – Behaving with integrity, demonstrating strong commitment to ethical values and representing the rule of law.

Integrity: The following values of the IJB are indicated in the Strategic Plan:

- caring
- person-centred
- enabling

These values form part of the decision-making process of the IJB and are evident in the actions and decisions made by the Board. The IJB has appointed a Standards Officer who is responsible, amongst other things, for the maintaining of Registers of Interests, Registers of Gifts and Hospitality and training on the Model Code of Conduct for Members of Devolved Public Bodies.

Ethical Values: The IJB has agreed in principle to adopt the Unison Ethical Care Charter and has provided funding to care providers to allow the Scottish Living Wage to be paid.

Rule of Law: A comprehensive consultation process has been developed with officers from Aberdeen City Council and NHS Grampian to ensure that decisions and reports comply with legislation. A member of the Council's Governance Team attends the IJB to ensure that decisions taken are in line with any legislative requirements. The IJB has appointed a Chief Finance Officer to ensure that the accounts and finances are in line with the statutory accounting environment. The IJB has standing orders and an integration scheme which provide information on where decisions can be made. Two sub committees have been created and each has its own terms of reference.

Improvement activities undertaken during the year: A whistleblowing policy was approved by the IJB 6 July 2021.

Principle 2 – Ensuring openness and comprehensive stakeholder engagement.

Openness: Pre-COVID the IJB was a public board where members of the public and press could attend and agendas, reports and minutes were available publicly to review. Therefore, members of the public could assess whether they believe that decisions are being taken in the public interest. As a result of the COVID restrictions IJB meetings are currently held electronically and are recorded. The recordings are made available to the public shortly after the meeting. The Risk, Audit & Performance Committee is also a public meeting. The IJB has its own complaints handling procedure which complies with Scottish Public Services Ombudsman's guidance.

Stakeholder Engagement: The non-voting membership of the IJB is set out in the Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014. This comprises six professional members and a minimum of four stakeholder representatives for each of the following groups - staff, third sector bodies, service users and carers. The IJB agreed a budget protocol on the 7 March 2017 which sought to formalise stakeholder engagement with the partner organisations around the budget process. Care providers are very much thought of as a key part of the partnership and invited to the majority of the events the IJB hosts. The IJB has established the Aberdeen City Joint Staff Forum, which includes representation from the trade unions and the staff partnership, as a forum for workforce issues affecting social care and health staff. An engagement and consultation protocol with the trade unions was agreed at the IJB on 21 January 2020.

Improvement activities undertaken during the year: A Public Engagement protocol was agreed by the IJB 24 August 2021 and our equalities outcomes reviewed and updated by the IJB 25 May 2021.

Principle 3 – Defining outcomes in terms of sustainable economic, social and environmental benefits.

Economic: The IJB has agreed a Medium-Term Financial Framework which is updated annually. The transformation programme and IJB report format specifically highlight the economic impact of the decisions being taken on current and future financial years. Work has been undertaken to establish the financial and operational benefits of the major transformation projects. The partnership has adopted the lean six sigma quality improvement methodology, has trained relevant staff and has undertaken and implemented several improvement projects using this methodology. The outcomes of some of these projects are directly informing, wider transformational activity across the partnership including the redesign of staffing teams aligned to localities and are part of our conditions for change programme. A strategic planning framework has been agreed and implemented for the large hospital services. A governance structure has been implemented to support this work including a cross system transformation board which include senior officers from the Council, NHSG and the IJBs.

Social: The IJB is expected to publish a revised Strategic Plan after its June meeting which identifies outcomes and the direction of travel over the next few years. The majority of outcomes are closely linked to how social care and health services will be delivered and improved over the life of the Strategic Plan.

Environmental: A public bodies climate change duties report is collated and submitted annually on behalf of the IJB.

Principle 4 - Determining the interventions necessary to optimise the achievement of intended outcomes.

Interventions: A transformation programme and leadership team objectives have been developed which will help support the delivery of the Strategic Plan. This programme is monitored on a regular basis and information on progress is received by the IJB and the Risk, Audit and Performance Committee for scrutiny and challenge. Decisions to procure services costing over £50,000 are taken by the IJB in so far as they relate to a Direction made to the NHS or Aberdeen City Council in respect of a delegated function and each report contains a section on risk. The Enabling Programme Board monitors any new projects ensuring that an option appraisal and project plans are developed in line with best practice. The benefits, both financial and non-financial, are highlighted and contained in the project plans.

Improvement activities undertaken during the year: The leadership team objectives fully aligned to the Strategic Plan seeks to mainstream existing projects, focusing on strategic performance indicators to measure impact and demonstrate meaningful change. A project management approach was undertaken in the delivery of the objectives. The draft plan requires greater focus on prevention, early intervention and addressing health inequalities which will have an impact on improving outcomes.

Principle 5 – Developing the entity’s capacity, including the capability of its leadership and the individuals within it.

Entity's Capacity: A workforce plan has been developed for the IJB covering health and social care services. Capacity is further developed and scrutinised by having stakeholders out with those employed by the IJB, ACC or NHS Grampian around the IJB and many of its working groups. The career ready programme and modern apprenticeships have been established within services. Regular meetings have been held with the direct reports of the leadership team to promote the localities model and the leadership team objectives. A new leadership team structure has been implemented to allow Strategic Plan outcomes to be achieved.

Leadership: The IJB has set itself goals and has evaluated their performance against these goals. An organisational development plan has been developed and agreed which has a focus on leadership. A conference was held by the partnership during the year focussing on social care and health which was well attended.

Individuals: An induction programme has been established for the IJB which complements the induction programmes of NHS Grampian and Aberdeen City Council. Monthly newsletters are sent to all staff and an awards ceremony was held to celebrate achievements during the year. Staff surveys have been undertaken for Council staff and the 'iMatter' survey is undertaken annually. The outputs from these surveys are discussed by the IJB Leadership Team and any necessary improvement actions implemented.

Improvement activities undertaken during the year: During the year many of the development activities were cancelled or postponed although the team continued to learn and adapt in some very challenging situations. The IJB itself undertook a series of workshops with external support to help aid future decision making.

Future Developments: Establish a leadership programme which helps install the principles of cross system leadership throughout the Partnership.

Principle 6 - Managing risk and performance through robust internal control and strong public financial management.

Risk: Two risk registers have been developed. The first is an IJB Strategic Risk Register and this documents the risk that the IJB may face in delivery of the Strategic Plan. The second register covers operational risks and is a summary of the departmental operational risk registers. The Strategic Risk Register is updated frequently and reported to the Risk, Audit & Performance Committee and the IJB.

Performance: A performance management framework has been developed for the IJB and is reported frequently to the Risk, Audit & Performance Committee and the IJB. Performance is also monitored by bi-monthly city sector performance review meetings, where the Chief Executives and senior finance officers from NHS Grampian and Aberdeen City Council discuss performance and finance in a structured meeting with the Chief Officer and Chief Finance Officer. Performance management information is provided at a national NHS level and also contained within the statutory performance indicators reported by the Council. An annual performance report is required as defined in the legislation (Public Bodies (Joint Working) (Scotland) Act 2014) underpinning the creation of the IJB.

Internal Controls: The internal control environment is largely delivered by the partner organisations given their operational remit. However, internal controls are evidenced in the IJB integration scheme and financial regulations. A review of the IJB internal controls is undertaken annually by the Chief Internal Auditor and his opinion on the adequacy of the internal control environment is highlighted below.

Financial Management: The IJB has received quarterly reports on the financial position as indicated in the integration scheme. All IJB reports contain a financial implications section advising the IJB on the budget implications of agreeing the recommendations of the report.

Improvement activities undertaken during the year: The strategic risk register and risk appetite statement were reviewed by the IJB in a workshop and subsequently formally approved on 15 December 2021.

Principle 7 – Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Transparency: Recordings of the IJB meetings were made available to the public after the meeting was held due to COVID restrictions and the agendas, reports and minutes are available for the public to inspect. The Risk, Audit & Performance committee is also a public meeting. The IJB has developed a publication scheme as required under the Freedom of Information (Scotland) Act 2002.

Reporting: The annual accounts management commentary section will have a focus on both financial and service performance over the last financial year. A review has been undertaken of the role of the North East Partnership which has strengthened governance arrangements for hosted and large hospital services.

Audit: The 2019/20 accounts received an unqualified audit opinion. The Risk, Audit & Performance Committee has received an internal audit plan from the Chief Internal Auditor and internal audit reports over the last financial year.

Improvement activities undertaken during the year: Work has been undertaken to review the clinical care governance arrangements in the partnership and the role of the Clinical Care Governance Committee in this process.

Future Developments: Continue to review and refine the clinical care governance framework and arrangements.

Review of Effectiveness

The IJB has responsibility for conducting, at least annually, a review of the effectiveness of the governance arrangements, including the system of internal control. The review is informed by the work of the IJB Leadership Team (who have responsibility for the development and maintenance of the internal control framework environment), the work of the internal auditor and the Chief Internal Auditor's annual report; and reports from the external auditor and other review agencies and inspectorates.

The Chief Internal Auditor has reviewed the IJB's internal control framework and in their opinion the IJB had an adequate and effective framework for Governance, Risk Management and Control, covering the period 1 April 2021 to 31 March 2022.

Whilst recommendations for improvement were identified in audits that have been completed, as reported to the Risk, Audit and Performance Committee, areas of good practice, improvement, and procedural compliance were also identified.

The governance framework was reviewed by the IJB Leadership Team against the governance principles identified in the CIPFA Role of the Chief Finance Officer Framework. The Risk, Audit and Performance Committee was updated on progress with the implementation of improvement actions identified on the 26 April 2022.

The local code of corporate governance was agreed by the Audit & Performance Systems Committee on 11 April 2017 and progress against the seven principles is detailed above. At Risk, Audit and Performance Committee on 26 April 2022 an update was provided on the sources of assurance contained in the local code of governance.

The work undertaken against the improvement actions highlighted in the 2021/22 annual governance statement is detailed in the improvement activities undertaken during the year sections detailed above. Although it should be noted that given the focus this year has been on responding to the pandemic some of these activities still require further work and are therefore being kept as areas for improvement in 2022/23.

A summarised list of the 2021/22 improvement actions is shown directly below:

	Area for Improvement and Outcome to Be Achieved	Improvement Action Agreed	Responsible Party	Completion Date
1.	Transformation Programme	Create Programme Management Structure	Transformation Lead	31 March 2022
2.	Clinical Care Governance	Review arrangements	Clinical Lead	31 March 2022
3.	Leadership Development	Implement new programme to support cross system leadership.	SOARS Lead	31 March 2022

In addition, the review of the effectiveness of the governance arrangements and systems of internal control within Aberdeen City Council and NHS Grampian places reliance upon the individual bodies' management assurances in relation to the soundness of their systems of internal control and that they have embedded standards for countering fraud and corruption

Accordingly, the following notes support the reliance that is placed upon those systems:

i) Aberdeen City Council's governance framework

Aberdeen City Council's governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its outcomes given the crucial role

of governance, performance management and risk management in improving stewardship and how we do business. Reviewing our governance activity enables us to consider whether those objectives have led to the delivery of appropriate, cost effective services to the citizens of Aberdeen.

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, aims and objectives, or comply with controls, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to: -

- identify and prioritise the risks to the achievement of the Council's outcomes;
- evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage those risks efficiently, effectively and economically.

The Audit, Risk & Scrutiny Committee has a key role in this, and an annual report of its activities and effectiveness will be considered by the committee and referred to Council for its consideration. This demonstrates improved transparency, understanding and challenge of the activity and outcomes from the Audit, Risk & Scrutiny Committee. The Council has an approved Local Code of Corporate Governance which sets out their commitment to the seven principles recommended in the CIPFA / SOLACE Framework 2016, by citing the primary sources of assurance which demonstrate the effectiveness of the systems of internal control.

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Principle B: Ensuring openness and comprehensive stakeholder engagement

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Principle F: Managing risk and performance through robust internal control and strong public financial management

Principle G: Implementing good practices in transparency, reporting and audit, to deliver effective accountability

In summary the Council has undertaken a self-evaluation of its Local Code of Corporate Governance as of 31 March 2022. This demonstrates that reasonable

assurance can be placed upon the adequacy and effectiveness of Aberdeen City Council and its systems of governance.

ii) NHS Grampian governance framework (pending approval)

NHS Grampian is required to operate within the aspects of the Scottish Public Finance Manual (SPFM) which are set out within the guidance issued to Chief Executives and more generally to all Board members by the Scottish Government Health and Social Care Directorates as being applicable to NHS Boards. The SPFM is issued by Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. The SPFM sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for efficiency, effectiveness and economy, and promotes good practice and high standards of propriety.

As Accountable Officer, the Chief Executive is responsible for maintaining an adequate and effective system of internal control that identifies, prioritises and manages the principal risks facing the organisation, promotes achievement of the organisation's aims and objectives and supports compliance with the organisation's policies and safeguarding public funds.

The Board continually monitors and reviews the effectiveness of the system of internal control with a specific focus on the delivery of safe and effective patient care, achievement of national and local targets and demonstrating best value and the efficient use of resources. Key elements of the system of internal control include:

- A Board which meets regularly to discharge its governance responsibilities, set the strategic direction for the organisation and approve decisions in line with the Scheme of Delegation. The Board comprises the Executive Directors and Non-Executive members. The Board activity is open to public scrutiny with minutes of meetings publicly available;
- The Board receives regular reports on Healthcare Associated Infection from the Clinical Governance Committee and reducing infection as well as ensuring that health and safety, cleanliness and good clinical practice are high priorities;
- Scheme of Delegation, Standing Orders and Standing Financial Instructions approved by the Board are subject to regular review to assess whether they are relevant and fully reflective of both best practice and mandatory requirements;
- Mature and organisation wide risk management arrangements built on localised risk registers and processes which ensure, as appropriate, escalation of significant instances of non-compliance with applicable laws and regulations;
- Dedicated full time members of staff for key statutory compliance functions including Information Governance, Health and Safety, fire and asbestos, tasked with ensuring they are up to date with all relevant legislation and are responsible for co-ordinating management action in these areas;

- A focus on best value and commitment to ensuring that resources are used efficiently, effectively and economically taking into consideration equal opportunities and sustainable development requirements;
- Consideration by the Board of regular reports from the chairs of the performance governance, engagement and participation, staff governance, clinical governance, audit committee and from the Chair of the Endowment Trustees concerning any significant matters on governance, risk and internal controls;
- Each key governance committee is supported by a designated lead Executive Director who has the delegated management accountability for statutory and regulatory matters. In addition, senior leadership arrangements were strengthened during the year to provide additional capacity and support to the Chief Executive;
- Regular review of financial performance, risk management arrangements and non-financial performance against key service measures and standards by the Performance Governance Committee;
- Regular review of service quality against recognised professional clinical standards by the Clinical Governance Committee;
- Regular review of workforce arrangements and implementation of the NHS Scotland Staff Governance standards by the Staff Governance Committee;
- An active joint management and staff partnership forum with staff side representation embedded in all key management teams and a dedicated full time Employee Director who is a member of the Board;
- Regular review of priorities for infrastructure investment and progress against the agreed Asset Management Plan by an Asset Management Group chaired by a Board Executive Director and including management representatives from all operational sectors and representation from the clinical advisory structure;
- Clear allocation of responsibilities to ensure we review and develop our organisational arrangements and services in line with national standards and guidance including consultation with all stakeholders on service change proposals to inform decision making;
- Promotion of effective cross sector governance arrangements through participation by the IJB Board members and the Chief Executives of each of the partner organisations in the regular meetings between the Chief Executives of all Public Sector organisations in Grampian and performance review meetings with each IJB Chief Officer to further develop and drive improvement through integrated service delivery;

- A patient feedback service to record and investigate complaints and policies to protect employees who raise concerns in relation to suspected wrongdoing such as clinical malpractice, fraud and health and safety breaches; and
- Separate governance arrangements for the NHS Grampian Endowment Funds including a Chair of the Trustees elected from within the body of the Trustees, an annual general meeting of all Trustees to agree all policy matters and an Endowment Sub Committee of Trustees with delegated authority to manage the day to day operational matters of the charity.

Based on the evidence considered during the review of the effectiveness of the internal control environment NHS Grampian has confirmed that there are no known outstanding significant control weaknesses or other failures to achieve the standards set out in the guidance on governance, risk management and control.

Certification: Subject to the above, and on the basis of assurances provided, we consider that the internal control environment operating during the reporting period provides reasonable and objective assurance that any significant risks impacting upon the achievement of 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 internal control environment and action plans are in place to identify areas for improvement. It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Aberdeen City Integration Joint Board’s systems of governance.

.....

Sandra Macleod
 Chief Officer
 April 2022

.....

Luan Grugeon
 Chair
 April 2022

Comprehensive Income and Expenditure Statement

This statement shows the cost of providing services for the year according to accepted accounting practices.

2020/21			2021/22			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£	£	£		£	£	£
36,773,002	0	36,773,002	Community Health Services	36,816,513	0	36,816,513
22,694,740	0	22,694,740	Aberdeen City share of Hosted Services (health)	26,329,493	0	26,329,493
34,344,973	0	34,344,973	Learning Disabilities	34,689,647	0	34,689,647
21,098,094	0	21,098,094	Mental Health & Addictions	22,857,455	0	22,857,455
79,024,830	0	79,024,830	Older People & Physical and Sensory Disabilities	84,433,334	0	84,433,334
326,346	0	326,346	Head office/Admin	706,721	0	706,721
17,239,540	0	17,239,540	Covid	11,977,726	0	11,977,726
5,046,774	(4,955,087)	91,687	Criminal Justice	4,931,999	(4,840,312)	91,687
746,121	0	746,121	Housing	1,862,505	0	1,862,505
40,447,093	0	40,447,093	Primary Care Prescribing	40,165,525	0	40,165,525
42,512,697	0	42,512,697	Primary Care	43,058,027	0	43,058,027
2,750,857	0	2,750,857	Out of Area Treatments	2,494,721	0	2,494,721
47,802,300	0	47,802,300	Set Aside Services	49,408,000	0	49,408,000
4,437,062	0	4,437,062	Transformation	7,048,615	0	7,048,615
355,244,429	(4,955,087)	350,289,342	Cost of Services	366,780,281	(4,840,312)	361,939,969
0	(365,923,226)	(365,923,226)	Taxation and Non-Specific Grant Income (Note 5)	0	(395,096,188)	(395,196,088)
355,244,429	(370,878,313)	(15,663,884)	Surplus or Deficit on Provision of Services	366,780,281	(399,936,500)	(33,156,221)
		(15,663,884)	Total Comprehensive Income and Expenditure			(33,156,221)

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 2021/22	General Fund Balance	Total Reserves
	£	£
Opening Balance at 31 March 2021	(18,235,780)	(18,235,780)
Total Comprehensive Income and Expenditure	(33,156,221)	(33,156,221)
Adjustments between accounting basis and funding basis under regulation	-	-
(Increase) or Decrease in 2021/22	(33,156,221)	(33,156,221)
Closing Balance at 31 March 2022	(51,392,001)	(51,392,001)
Movements in Reserves During 2020/21	General Fund Balance	Total Reserves
	£	£
Opening Balance at 31 March 2020	(2,601,896)	(2,601,896)
Total Comprehensive Income and Expenditure	(15,633,884)	(15,633,884)
Adjustments between accounting basis and funding basis under regulation	-	-
(Increase) or Decrease in 2020/21	(15,633,884)	(15,633,884)
Closing Balance at 31 March 2021	(18,235,780)	(18,235,780)

Balance Sheet

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

31 Mar 2021		Notes	31 Mar 2022
£			£
18,235,780	Short term Debtors	(6)	51,392,001
<u>18,235,780</u>	Current Assets		<u>51,392,001</u>
-	Short term Creditors	(7)	-
<u>-</u>	Current Liabilities		<u>-</u>
<u>18,235,780</u>	Net Assets		<u>51,392,001</u>
(18,235,780)	Usable Reserve: General Fund	(8)	(51,392,001)
-	Unusable Reserve:		-
<u>(18,235,780)</u>	Total Reserves		<u>(51,392,001)</u>

The audited accounts were issued in April 2022

Paul Mitchell

Chief Finance Officer
Effective from 18th July 2022

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 includes reserves relating to statutory adjustments as shown in the Movement in Reserves Statement.

Notes to the Financial Statements

1. Significant Accounting Policies

General Principles

The Financial Statements summarises the authority's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022.

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 2021/22, 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, Aberdeen City Council and NHS Grampian. Expenditure is incurred as the IJB commissions specified health and social care services from the funding partners for the benefit of service recipients in Aberdeen City.

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 or a cashflow statement.

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. Where material the Chief Officer's absence entitlement as at 31 March is accrued, for example in relation to annual leave earned but not yet taken. In the case of Aberdeen City IJB any annual leave earned but not yet taken is not considered to be material.

Reserves

The IJB is permitted to set aside specific amounts as reserves for future policy purposes. Reserves are generally held to do three things:

- create a working balance to help cushion the impact of uneven cash flows – this forms part of general reserves;
- create a risk fund to cushion the impact of unexpected events or emergencies; and
- create a means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities.

The balance of the reserves normally comprises:

- funds that are earmarked or set aside for specific purposes; and
- funds which are not earmarked for specific purposes but are set aside to deal with unexpected events or emergencies.

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged against the appropriate line in the Income and Expenditure Statement in that year to score against the Surplus/Deficit on the Provision of Services. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement.

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.

Indemnity Insurance

The IJB has indemnity insurance for costs relating primarily to potential claim liabilities regarding Board member and officer responsibilities. NHS Grampian and Aberdeen City 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.

Support Services

Corporate support services (finance, legal and strategy) are provided by Aberdeen City Council and NHS Grampian at no cost to the IJB and it is not possible to separately identify these costs. To the extent that delegated services include an element of overheads and support services costs, these will be included within the appropriate line within the Income and Expenditure statement.

2. Critical Judgements and Estimation Uncertainty

The Financial Statements include some estimated figures. Estimates are made taking into account the best available information, however actual results could be materially different from the assumptions and estimates used. The key items in this respect are listed below.

Provisions

No financial provision for any future events has been made by the IJB in this accounting period.

3. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the IJB's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

The audited Annual Accounts were authorised for issue by the Chief Finance Officer in April 2022. 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 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

4. Expenditure and Income Analysis by Nature

2020/21		2021/22
£		£
144,823,328	Services commissioned from Aberdeen City Council	147,404,475
210,391,041	Services commissioned from NHS Grampian	219,334,008
-	- Employee Benefits Expenditure	-
-	- Insurance and Related Expenditure	-
30,060	Auditor Fee: External Audit	41,796
-	- Auditor Fee: Other	-
(4,955,087)	Service Income: Aberdeen City Council	(4,840,312)
-	- Service Income: NHS Grampian	-
(365,923,226)	Partners Funding Contributions and Non-Specific Grant Income	(395,096,188)
(15,633,884)	(Surplus) or Deficit on the Provision of Services	(33,156,221)

5. Taxation and Non-Specific Grant Income

2020/21		2021/22
£		£
(93,214,587)	Funding Contribution from Aberdeen City Council	(104,113,970)
(272,708,639)	Funding Contribution from NHS Grampian	(290,982,218)
(365,923,226)	Taxation and Non-specific Grant Income	(395,096,188)

The funding contribution from the NHS Board shown above includes £49 million 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 as that provided for Criminal Justice. Such ring-fenced funding is presented as income in the Cost of Services in the Comprehensive Income and Expenditure Statement.

6. Debtors

31 Mar 21		31 Mar 22
£		£
14,429,839	NHS Grampian	40,360,692
3,805,941	Aberdeen City Council	11,031,309
18,235,780	Debtors	51,392,001

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

7. Creditors

31 Mar 21		31 Mar 22
£		£
	- Aberdeen City Council	-
	- Creditors	-

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

8. Usable Reserve: General Fund

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

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

2020/21				2021/22			
Balance at 1 April 2020	Transfers In	Transfers Out	Balance at 31 March 2021		Transfers In	Transfers Out	Balance at 31 March 2022
£	£	£	£		£	£	£
-	(2,534,327)	-	(2,534,327)	Covid	(17,206,169)	-	(19,740,496)
(682,198)	(325,068)	-	(1,007,266)	Earmarked External Funding	(783,915)	-	(1,791,181)
-	(876,523)	-	(876,523)	Community Living Change	-	-	(876,523)
-	-	-	-	Primary Care	-	-	-
(72,764)	(2,468,069)	-	(2,540,833)	PCIP*	(1,718,167)	-	(4,259,000)
-	(693,049)	-	(693,049)	Action 15	(299,951)	-	(993,000)
-	-	-	-	MH Recovery and Renewal	(1,052,874)	-	(1,052,874)
(576,000)	(744,957)	-	(1,320,957)	ADP*	(965,270)	-	(2,286,227)
-	(6,762,825)	-	(6,762,825)	Integration + Change	(11,129,875)	-	(17,892,700)
(1,330,962)	(14,404,818)	-	(15,735,780)	Total Earmarked	(33,156,221)	-	(48,892,001)
(1,270,934)	(1,229,066)	-	(2,500,000)	Risk Fund	-	-	(2,500,000)
(2,601,896)	(15,633,884)	-	(18,235,780)	General Fund	(33,156,221)	-	(51,392,001)

9. Agency Income and Expenditure

On behalf of all IJBs within the NHS Grampian area, the IJB acts as the lead manager for Sexual Health Services and Woodend Rehabilitation Services. It commissions services on behalf of the other IJBs and reclaims the costs involved. The payments that are made on behalf of the other IJBs, and the consequential reimbursement, are not included in the Comprehensive Income and Expenditure Statement (CIES) since the IJB is not acting as principal in these transactions.

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

2020/21		2021/22
£		£
1,360,494	Expenditure on Agency Services	1,521,455
(1,360,494)	Reimbursement for Agency Services	(1,521,455)
	- Net Agency Expenditure excluded from the CIES	-

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

2020/21		2021/22
£		£
6,257,449	Expenditure on Agency Services	7,950,904
(6,257,449)	Reimbursement for Agency Services	(7,950,904)
- Net Agency Expenditure excluded from the CIES		-

10. Related Party Transactions

The IJB has related party relationships with the NHS Grampian, Aberdeen City Council and Bon Accord Care/Bon Accord Support Services. The nature of these relationships means that the IJB may influence, and be influenced by, these parties. The following transactions and balances included in the IJB's accounts are presented to provide additional information on the relationships.

NHS Grampian

2020/21		2021/22
£		£
(272,708,639)	Funding Contributions received from the NHS Board*	(290,982,218)
-	- Service Income received from the NHS Board	-
210,188,431	Expenditure on Services Provided by the NHS Board	219,121,866
202,610	Key Management Personnel: Non-Voting Board Members	212,142
(62,317,598) Net Transactions with the NHS Grampian		(71,648,210)

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

*Includes resource transfer income of £ 45.7 million.

Balances with NHS Grampian

31-Mar-21		31-Mar-22
£		£
14,429,839	Debtor balances: Amounts due from the NHS Board	40,360,692
-	- Creditor balances: Amounts due to the NHS Board	-
14,429,839	Net Balance with the NHS Grampian	40,360,692

Transactions with Aberdeen City Council

2020/21		2021/22
£		£
(93,214,587)	Funding Contributions received from the Council	(104,113,970)
(4,955,087)	Service Income received from the Council	(4,840,312)
144,736,812	Expenditure on Services Provided by the Council	147,329,544
116,576	Key Management Personnel: Non-Voting Board Members	116,727
46,683,714	Net Transactions with Aberdeen City Council	38,491,989

Key Management Personnel: The non-voting Board members employed by the NHS Board and recharged to the IJB include the Chief Financial Officer. Details of the remuneration for some specific post-holders is provided in the Remuneration Report. The Chief Social Work Officer is a non-voting member of the IJB and the costs associated with this post are borne by the Council.

31-Mar-21		31-Mar-22
£		£
3,805,941	Debtor balances: Amounts due from the Council	11,031,309
-	- Creditor balances: Amounts due to the Council	-
3,805,941	Net Balance with the Aberdeen City Council	11,031,309

Transactions with Bon Accord Care (BAC) and Bon Accord Support Services (BASS)

Bon Accord Care Limited and Bon Accord Support Services Limited are private companies limited by shares which are 100% owned by Aberdeen City Council. Bon Accord Care provides regulated (by the Care Inspectorate) care services to Bon

Accord Support Services which in turn delivers both regulated and unregulated adult social care services to the Council.

31-Mar-21		31-Mar-22
£		£
(1,080,280)	Service Income received from the Council	(1,025,658)
30,434,678	Expenditure on Services Provided by the Council	34,404,699
<hr/>		
29,354,398	Net Transactions with BAC/BASS	33,379,041
<hr/>		

11. 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.

Glossary of Terms

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

Accounting Period

The period of time covered by the Accounts, normally a period of 12 months commencing on 1 April each year. The end of the accounting period is the Balance Sheet date.

Accruals

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

Asset

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

Audit of Accounts

An independent examination of the IJB's financial affairs.

Balance Sheet

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

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Consistency

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

Contingent Asset/Liability

A Contingent Asset/Liability is either:

A possible benefit/obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the IJB's control; or

A present benefit/obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

Creditor

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

Debtor

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

Entity

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

Exceptional Items

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

Government Grants

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

IAS

International Accounting Standards.

IFRS

International Financial Reporting Standards.

IRAG

Integration Resources Advisory Group.

LASAAC

Local Authority (Scotland) Accounts Advisory Committee.

Liability

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

Provisions

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

PSIAS

Public Sector Internal Audit Standards.

Related Parties

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

Remuneration

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

Reserves

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

Revenue Expenditure

The day-to-day expenses of providing services.

Significant Interest

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

SOLACE

Society of Local Authority Chief Executives.

The Code

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

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05-10-2022

KPMG LLP
319 St Vincent Street
Glasgow
G2 5AS

**Aberdeen City Health and
Social Care Partnership**

Business Hub 11
Second Floor West
Marischal College
Broad Street
Aberdeen
AB10 1AB
www.aberdeencityhscp.scot

Dear Sirs,

This representation letter is provided in connection with your audit of the financial statements of Aberdeen City Integration Joint Board (“the IJB”), for the year ended 31st March 2022 for the purpose of expressing an opinion:

- i. as to whether these financial statements, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 give a true and fair view of the state of the IJB’s affairs as at 31st March 2022 and of the IJB’s income and expenditure for the financial year then ended;
- ii. whether the IJB financial statements have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22; and
- iii. whether the financial statements have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

These financial statements comprise the following: 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 and other explanatory information.

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



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

Financial statements

1. I have fulfilled my responsibilities, as set out in the terms of the audit engagement letter dated 31 May 2016, for the preparation of financial statements that:
 - i. give a true and fair view of the state of the IJB's own affairs as at the end of its financial year and of the IJB's own income and expenditure for that financial year;
 - ii. have been properly prepared in accordance with UK adopted international accounting standards, as interpreted, and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22; and
 - iii. have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

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

2. The methods, the data and the significant assumptions used by me in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Information provided

5. I have provided you with:
 - access to all information of which I am aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from me for the purpose of the audit; and
 - unrestricted access to persons within the IJB from whom you determined it necessary to obtain audit evidence.



6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. I confirm the following:

I have disclosed to you the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

8. I have disclosed to you all information in relation to:

a) Fraud or suspected fraud that I am aware of and that affects the IJB and involves:

- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements; and

b) allegations of fraud, or suspected fraud, affecting the IJB's financial statements communicated by employees, former employees, analysts, regulators or others.

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

9. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

10. I have disclosed to you and have appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

11. I have disclosed to you the identity of the IJB's related parties and all the related party relationships and transactions of which I am aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as I understand them and as defined in IAS 24.



12. I confirm that:

- The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the IJB's ability to continue as a going concern as required to provide a true and fair view and to comply with IAS 1 *Presentation of Financial Statements*.
- No material events or conditions exist that may cast significant doubt on the ability of the IJB to continue as a going concern.

This letter was tabled and agreed at the meeting of the Integration Joint Board on 11th October 2022

Yours faithfully,

Paul Mitchell
Chief Finance Officer
Aberdeen City Health and Social Care Partnership
(ACHSCP)



Appendix to the Board Representation Letter of Aberdeen City Integration Joint Board: Definitions

Financial Statements

IAS 1.10 states that “a complete set of financial statements comprises:

- a statement of financial position as at the end of the period;
- a statement of profit or loss and other comprehensive income for the period;
- a statement of changes in equity for the period;
- a statement of cash flows for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information;
- comparative information in respect of the preceding period as specified in IAS 1 paragraphs 38 and 38A; and
- a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with IAS 1 paragraphs 40A-40D.

An entity may use titles for the statements other than those used in this Standard. For example, an entity may use the title ‘statement of comprehensive income’ instead of ‘statement of profit or loss and other comprehensive income’.”

Additionally, the financial statements contain the IJB’s Statement of Financial Position, Statement of Movement in Reserves and related notes.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity’s assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.



Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- was available when financial statements for those periods were authorised for issue; and
- could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

1. A person or a close member of that person's family is related to a reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity; or
 - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
2. An entity is related to a reporting entity if any of the following conditions applies:
 - The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - Both entities are joint ventures of the same third party.
 - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If



the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

- The entity is controlled, or jointly controlled by a person identified in (a).
- A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a government that has control or joint control of, or significant influence over the reporting entity; and
- another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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Aberdeen City Integration Joint Board

Annual Audit Report to the Members of Aberdeen City Integration Joint Board and the Controller of Audit for
the year ended 31 March 2022

DRAFT 11 October 2022

Contents

Draft

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About this report	

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

This report is for the benefit of Aberdeen City Integration Joint Board ("the IJB") and is made available to Audit Scotland and the Controller of Audit (together "the Beneficiaries"). This report has not been designed to be of benefit to anyone except the Beneficiaries. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Beneficiaries, even though we may have been aware that others might read this report. We have prepared this report for the benefit of the Beneficiaries alone.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the introduction and responsibilities sections of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the Beneficiaries) for any purpose or in any context. Any party other than the Beneficiaries that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Beneficiary's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Beneficiaries.

Complaints

If at any time you would like to discuss with us how our services can be improved or if you have a complaint about them, you are invited to contact Michael Wilkie, who is the engagement leader for our services to the IJB, telephone 0141 300 5890, email: Michael.Wilkie@kpmg.co.uk who will try to resolve your complaint. If your problem is not resolved, you should contact Hugh Harvie, our Head of Audit in Scotland, either by writing to him at Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG, by telephoning 0131 527 6682 or email hugh.harvie@kpmg.co.uk. We will investigate any complaint promptly and do what we can to resolve the difficulties. After this, if you are still dissatisfied with how your complaint has been handled you can refer the matter to Diane McGiffen, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN.

Executive summary

Audit conclusions

We expect to issue an unqualified audit opinion on the annual accounts of Aberdeen City Integration Joint Board ("the IJB") following their approval by the IJB on 11 October 2022.

We identified one significant risk in the audit of the IJB, which relate to fraud risk from management override of controls. As documented on pages 10 and 11, we have concluded satisfactorily in respect of the significant risks and audit focus areas identified in the audit strategy document.

We concurred with management's assessment that the entity remains a going concern for the 12 month period from March 2022, in compliance with the statutory requirement to prepare accounts on a going concern basis.

The annual accounts were received at the start of the audit fieldwork. We have no matters to highlight in respect of adjusted audit differences or our independence.

We have made two recommendations on page 28

Financial position

The IJB's final outturn is an underspend against budget of £33.2 million. This included £17.2 million from Covid19 funding, £10.2m mainstream services and £5.7m from funds not spent . The IJB increased its reserves from £18.2 million to £51.4 million as a result of a surplus on provision of services of £33.2 million for the 2022 financial statements.

This year the underspend delivered by the IJB means there is no additional contributions required by either partner body, and partners continue to be bound to cover overspends for which they have operational responsibility, and this is expected to continue.

Financial management and financial sustainability

As in the prior year, due to underspends, Scottish Government funding and unspent Covid-19 funding, there is a surplus on the provision of services available for future use.

The IJB faces ongoing financial pressures due to salary costs, price pressures and unknown future demand for services (including demand from Covid-19). We remain satisfied that the IJB is a going concern as a result of the integration scheme and the financial sustainability of the partners.

The Board approved of an initial one year budget for 2022/23 and the development of a medium term financial framework at the end of 2021-22 which will help the IJB plan for future pressures, and will enable management to have valuable conversations when discussing future budget settlements. We consider the arrangements regarding financial management are effective.

The IJB's arrangements for assessing and reporting on the impact of COVID-19 is considered appropriate.

Governance and Transparency, and Value for money

The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board.

The annual performance report shows the IJB performing broadly favourably when compared to the Scottish average and that of its peer group.

Scope and responsibilities

Purpose of this report

The Accounts Commission has appointed KPMG LLP as auditor of Aberdeen City Integration Joint Board (“the IJB”) under part VII of the Local Government (Scotland) Act 1973 (“the Act”). The period of appointment is 2016-17 to 2021-22, inclusive. Our engagement was extended by Audit Scotland to 2021-22 in order to mitigate any potential impact of COVID-19 on the process for the next period of appointment.

Our annual audit report is designed to summarise our opinions and conclusions on significant issues arising from our audit. It is addressed to both those charged with governance at the IJB and the Controller of Audit. The scope and nature of our audit are set out in our audit strategy document which was presented to the Risk, Audit and Performance Committee on 26 April 2022.

Audit Scotland’s Code of Audit Practice (“the Code”) sets out the wider dimensions of public sector audit which involves not only the audit of the financial statements but also consideration areas such as financial performance and corporate governance.

Accountable officer responsibilities

The Code sets out the IJB’s responsibilities in respect of:

- corporate governance;
- financial statements and related reports;
- standards of conduct for prevention and detection of fraud and error;
- financial position; and
- Best Value.

Auditor responsibilities

This report reflects our overall responsibility to carry out an audit in accordance with our statutory responsibilities under the Act and in accordance with International Standards on Auditing (UK) (“ISAs”) issued by the Financial Reporting Council and the Code. Appendix one sets out how we have met each of the responsibilities set out in the Code.

Scope

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

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

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

Under the requirements of ISA 260 *Communication with those charged with governance*, we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity.

This report to those charged with governance and our presentation to the Audit and Performance Committee, together with previous reports to the audit and performance committee throughout the year, discharges the requirements of ISA 260.

Financial position

Overview

The Public Bodies (Joint Working) (Scotland) Act 2014 specifies that integration joint boards should be treated as if they were bodies falling within section 106 of the Local Government (Scotland) Act 1973. The financial statements of the IJB should therefore be prepared in accordance with the 1973 Act and the 2021-22 Code of Practice on Local Authority Accounting in the United Kingdom (“the CIPFA Code”).

The Board is responsible for the strategic planning and delivery of health and adult social care services in Aberdeen City. The Integration Scheme sets out those services the Board has delegated responsibility for, which includes ‘hosted’ services which are provided by the IJB on behalf of the other integration joint boards in the Grampian region, Aberdeenshire and Moray.

IJB financial management overview

The IJB budget process usually begins in September each year with final presented to the Board for approval by March in advance of the financial year. Delegated baseline budgets for 2021-22 were compared to actual expenditure in previous years in order to build up the budget. Detailed forecasts have been prepared of anticipated salary, price and demand pressures along with the cost of meeting legislative changes and planned service developments.

The 2021-22 budget was set in March 2021 based on the understanding that the huge uncertainty over Covid-19 would be funded by additional income. This budget set out a very early indication of the expected COVID-19 expenditure and the Scottish Government funding to be received.

In respect of the 2021-22 budget setting process, the IJB participated in the Aberdeen City Council (“the Council”) budget process in order to commence early discussion over funding and anticipated expenditure pressures. NHS Grampian (“NHSG”) set an independent budget with funding implications managed by the IJB within the scope of the integration scheme.

Legislation empowers the Board to hold reserves. The integration scheme and the reserves strategy set out the arrangements between the partners for addressing and financing any overspends or underspends. Financial management is discussed further on page 15.

Funding contributions from Aberdeen City Council £104.1 million (PY £93.2 million)	Funding contributions from NHS Grampian £291.0 million (PY £272.7 million)	Gross expenditure £366.8 million (PY £355.2 million)	Surplus on provision of services £33.2 million (PY 15.7 million)
---------------------------------------------------------------------------------------	-------------------------------------------------------------------------------	---------------------------------------------------------	---------------------------------------------------------------------

Despite the challenging year faced, the IJB reported an underspend of £33.2 million against budget, this includes the additional £17m funding received for COVID-19. Further details of the underspends and additional income are included on page 6.

The prior year reserves generated through historic surpluses have been increased through the current year surplus of £33.2 million. As detailed on page 17, the available reserves of £51.4 million are retained for application against spending commitments. Management have earmarked these reserves for 2022-23, and is discussed further on page 17.

The Board does not have any fixed assets, nor does it directly incur expenditure or employ staff. The Chief Officer and the Chief Financial Officer are appointed officers of the IJB but are remunerated through the partner bodies. All funding and expenditure is delegated to the partner organisations and is recorded in the partner organisation’s accounting records.

Financial position (continued)

2021-22 financial position

The annual accounts are prepared on a going concern basis. A surplus of £33.2 million was reported in the final outturn in June 2022 for the year ended 31 March 2022.

The outturn in 2021-22 was a underspend of £33.2 million when compared to the revised budget deficit of £395 million. This is due to a variety of underspends that occurred during the year (see below), and did not include Covid-19 related grants or funding which were received late in the year be carried forward into 2022-23 (£17m)

The mainstream services underspend of £10.2m includes the following:

- Hosted services £1.9m additional funding provided not fully utilised, Grampian Medical Emergency Department overspent mainly due to additional pay costs
- Older People underspend £7m, due to £1.3m commissioned services underspend, £4.2m underspend on winter pressures, £1m over achievement of other income
- Community Health Services, underspend on pay budgets £0.9m, over achievement of income (£0.6m), and £0.3m underspend on non pay budgets.

In addition to the above there has been an underspend on the Funds of £5.6m during the year leading to this money being transferred into reserves to be earmarked for the funds identified.

Comprehensive income and expenditure statement

As noted previously, the integration scheme set out some services that are devolved to an IJB ("hosted services"), rather than split it across the three IJBs; Aberdeen City, Aberdeenshire and Moray, for which it partners. This results in differences between the budget that management and members receive, which show the hosted services the IJB are responsible for, and the comprehensive income and expenditure statement ("CIES"). The two therefore are not directly comparable, and the hosted services explain the significant differences between the two.

Draft

Expenditure	2021-22 Full year revised budget (£000s)	2021-22 Year end net expenditure out-turn (£000s)	Movement from budget over/(under) (£000s)
Community Health Services	38,543	36,817	(1,726)
Aberdeen City share of Hosted Services (health)	28,224	26,329	(1,895)
Learning Disabilities	35,252	34,690	(562)
Mental Health & Addictions	22,305	22,857	552
Older People & Physical and Sensory Disabilities	91,475	84,433	(7,042)
Head office/Admin	350	707	357
Criminal Justice	92	92	0
Housing	1,863	1,862	(1)
Primary Care Prescribing	39,921	40,166	245
Primary Care	42,864	43,058	194
Out of Area Treatments	2,600	2,495	(105)
Set Aside Services	49,408	49,408	0
Direct Covid Costs	29,184	11,978	(17,206)
Public Health	2,242	1,953	(289)
Mainstream Services	384,323	356,845	(27,478)
Integration and Change	2,191	152	(2,039)
Recovery and Renewal	1,095	43	(1,052)
Primary Care Improvement Fund	5,171	3,449	(1,722)
Action 15 Mental Health	897	597	(300)
Alcohol Drugs Partnership	1,419	854	(565)
Funds	10,773	5,095	(5,678)
Total Cost of Services	395,096	361,940	(33,156)

Financial position (continued)

Related party transactions

NHS Grampian receives the recurring baseline budget on behalf of the IJB and expenditure is drawn down through NHS Grampian. As Aberdeen City IJB uses the baseline budget to deliver services, it invoices NHS Grampian directly for the services.

In total in the year there was a £291.0m million payment from NHS Grampian to the IJB, this is included and explained within Note 10: Related Party Transactions. This relates to funding NHS Grampian receives from the Scottish Government being redirected to the IJB for delivery of some social care services.

In line with other IJBs nationally, there is a requirement to recognise funding from partners, and to recognise its commissioning expenditure, in order to disclose the gross cost of providing services. The related parties note details this gross cost of providing services, and gross income received from partners.

Balance sheet

The £51.4 million debtors balance at the year end increased as a result of significant additional Scottish Government COVID-19 funding and significant financial control by management. IJB 'cash' is held by the partner organisations due to the IJB not having a bank account, leading to a creditor to the IJB in the Partners' Balance Sheet. The debtor balance is split with £40.4 million allocated to NHS Grampian (PY £14.4 million) and £11.0 million to the Council (PY £3.8 million).

The debtor balance to Aberdeen City Council is the total income less total expenditure with the Council, as adjusted on an accounting basis. These funds, in line with the current scheme of integration, will support social care activities going forward.

The increase in reserves at 31 March 2022 compared to the prior year is due to significant late allocation of non recurring funding from Scottish Government and underspend outlined in the previous slide.

Balance sheet	2021-22 £000	2020-21 £000
Short term debtors	51,392	18,236
Net assets	51,392	18,236
Usable reserve : General fund	(51,392)	(18,236)
Total reserves	(51,392)	(18,236)

Source: Unaudited annual accounts 2021-22

Audit conclusions

Audit opinion

Following approval of the annual accounts by the IJB Board, we expect to issue an unqualified opinion on the truth and fairness of the state of the IJB's affairs as at 31 March 2022, and of the surplus for the year then ended.

There are no matters identified on which we are required to report by exception.

Financial reporting framework, legislation and other reporting requirements

The IJB is required to prepare its annual accounts in accordance with International Financial Reporting Standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 and in accordance with the Local Authority Accounts (Scotland) Regulations 2014. Our audit confirmed that the financial statements have been prepared in accordance with the CIPFA Code and relevant legislation.

Statutory reports

We have not identified any circumstances to notify the Controller of Audit that indicate a statutory report may be required.

Other communications

We did not encounter any significant difficulties during the audit. There were no other significant matters arising from the audit that were discussed, or subject to correspondence with management that have not been included within this report. There are no other matters arising from the audit, that, in our professional judgement, are significant to the oversight of the financial reporting process.

Audit misstatements

There were no misstatements identified during the audit. However we identified 2 presentational adjustments See appendix 4, page 27.

Written representations

Our representation letter did not include any additional representations to those that are standard as required for our audit.

Materiality and summary of risk areas

Materiality

We summarised our approach to materiality in our audit strategy document. On receipt of the financial statements and following completion of audit testing we reviewed our materiality levels and concluded that the level of materiality set at planning was still relevant.

We used a materiality of £3.6 million for the IJB's financial statements. This equates to approximately 1% of gross expenditure. We designed our procedures to detect errors in specific accounts at a lower level of precision than our materiality. For the IJB, our performance materiality was £2.7 million. We report all misstatements greater than £180,000.

Forming our opinions and conclusions

In gathering the evidence for the above opinions and conclusions we:

- performed substantive procedures to ensure that key risks to the annual accounts have been covered;
- communicated with the Chief Internal Auditor, who provides internal audit support to the IJB, and reviewed internal audit reports as issued to the Audit and Performance Committee to ensure all key risk areas which may be viewed to have an impact on the annual accounts had been considered;
- reviewed estimates and accounting judgments made by management and considered these for appropriateness;
- considered the potential effect of fraud on the annual accounts through discussions with senior management and internal audit to gain a better understanding of the work performed in relation to the prevention and detection of fraud; and
- attended Risk, Audit and Performance Committee meetings to communicate our findings to those charged with governance, and to update our understanding of the key governance processes.

Financial statements preparation

Draft financial statements were published online in line with Section 195 of Local Government (Scotland) Act 1973, this included the management commentary and annual governance statement. In advance of our audit fieldwork we issued a 'prepared by management' request setting out a list of required analyses and supporting documentation. We received working papers of good quality, and signed complete draft financial statements were provided on 27 June 2022.

We recognise the significant efforts of the finance team given the ongoing pressures to deliver a set of accounts with no identified misstatements to us in accordance with the normal timeframes. The finance team were re tasked with additional responsibility in respect of additional financial reporting requirements, workforce planning and third party sustainability payment administration. In this context, this represents a significant achievement.

Significant risks and other focus areas in relation to the audit of the financial statements

We summarise below the risks of material misstatement as reported within the audit strategy document.

Significant risks (page 10 of this report):

- management override of controls fraud risk.

Other focus areas (page 11 of this report):

- completeness and accuracy of expenditure; and
- financial sustainability (also a wider scope area).

Wider scope areas (page 14 of this report):

- financial sustainability;
- financial management;
- value for money; and
- governance and transparency.

Significant risks

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Significant risk	Our Response	Audit conclusion
<p>Fraud risk from management override of controls</p> <p>Professional standards require us to communicate the fraud risk from management override of controls as a significant risk; as management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> - Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to the audit of the board. - Strong oversight of finances by management provides additional review of potential material errors caused by management override of controls. - In line with our methodology, we will carry out appropriate substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the organisation's normal course of business, or are otherwise unusual. 	<p><i>Our work did not identify any control overrides, or matters that required adjustment in the annual accounts or which require to be brought to attention.</i></p>
<p>Fraud risk from income revenue recognition and expenditure</p> <p>Professional standards, as interpreted by Practice Note 10 Audit of financial statements of public sector bodies in the United Kingdom require us to make a rebuttable presumption that the fraud risk from revenue recognition and expenditure are significant risks.</p>	<ul style="list-style-type: none"> — The Board receives funding requisitions from Aberdeen City Council and NHS Grampian . These are agreed in advance of the financial year, with any changes arising from changes in need, requiring approval from each body. There is no estimation or judgement in recognising this stream of income and we do not regard the risk of fraud to be significant. — The Board works with Aberdeen City Council and NHS Grampian in order to deliver services delegated by the Board The Board makes these directions based on its budget agreed in advance of the financial year There is no estimation or judgement in recognising expenditure to these bodies, and we do not regard the risk of fraud to be significant 	<p><i>We have rebutted the fraud risk from income revenue and expenditure recognition in the financial statements.</i></p>

We set out above the significant risks identified in the audit, together with our conclusion. The audit opinion within the annual accounts includes a reference to the most significant assessed risks of material misstatement, which is the significant risk included in this annual audit report. This annual audit report does not constitute our audit opinion; the opinion is included within the annual accounts.

Other focus areas

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Other focus area	Our response	Audit conclusion
Financing focus area		
<p>Completeness and accuracy of expenditure</p> <p>The Board's integrated finance team, led by the Chief Finance Officer, prepare expenditure forecasts as part of the annual budgeting process. There is a risk that actual expenditure and resulting funding is not correctly captured.</p>	<ul style="list-style-type: none"> Our substantive audit will obtain support for gross expenditure included in Aberdeen City Council and NHS Grampian 's accounting records. We will obtain confirmations of expenditure from each of these bodies. 	<p><i>We have concluded that that expenditure is complete and accurate.</i></p> <p><i>No exceptions were identified in respect of expenditure testing and testing of high risk expenditure journals.</i></p> <p><i>Our testing of this exercise did not identify errors in expenditure.</i></p>
<p>Financial sustainability</p> <p>Financial sustainability looks forward to the medium and longer term to consider whether the Board is planning effectively to continue to deliver its services or the way in which they should be delivered. This is inherently a risk to the Board given the challenging environment where funding is reduced and efficiency savings are required</p>	<ul style="list-style-type: none"> The Board receives funding from NHS Grampian and Aberdeen City Council, and as part of an Integration Scheme, has a risk sharing agreement with both bodies. This agreement stipulates overspends should be met through the use of reserves where possible, otherwise these bodies must make an additional one off payment on the basis of each body's proportionate share of baseline contributions to the Board. This gives the Board comfort with regards to overspends, however, there is a risk going forward regarding ongoing budget balance, specifically in the context of challenging NHS and Council Budgets that are expected into 2022.23 Covid 19 funding has had a significant impact on the year end balances with significant funding expected to increase reserves at the year ended 31.3.2022, however with suspected pressures in 2022.23 from expected increased demand and budget pressures the use of these reserves will be needed to help transform services for future years. We will consider the Board's financial planning, reserves strategy, and Board's use of reserves, concluding on the appropriateness of these in our annual audit report. See page 17 for further information regarding the financial sustainability wider scope. 	<p><i>We consider that the IJB is financially sustainable. The IJB has detailed plans in place over the medium term to consider how services will be provided in future years. These take into consideration known and expected budget pressures. These have been completed in even greater detail in 2021-22 due to the re-mobilisation plan in line with Scottish government requirements and priorities.</i></p> <p><i>During the 2022 financial year, a medium term financial framework for 2022/23 to 2028/29 has been developed from financial frameworks underpinning the IJB's strategic delivery plans.</i></p>

Management reporting in financial statements

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Report	Summary observations	Audit conclusion
Management commentary	<p>The Local Authority Accounts (Scotland) Regulations 2014 require the inclusion of a management commentary within the annual accounts, similar to the Companies Act requirements for listed entity financial statements. The requirements are outlined in the Local Government finance circular 5/2015.</p> <p>We consider the annual governance statement to ensure compliance with the Local Government finance circular 10/2020 which updated the requirements in response to the COVID-19 pandemic.</p> <p>We are required to read the management commentary and express an opinion as to whether it is consistent with the information provided in the annual accounts.</p> <p>We also review the contents of the management commentary against the guidance contained in the CIPFA template IJB accounts.</p>	<p><i>The information contained within the management commentary is consistent with the annual accounts.</i></p> <p><i>We reviewed the contents of the management commentary against the guidance contained in the Local Government finance circular 5/2015, and 10/2020 and are content with the proposed report.</i></p>
Remuneration report	<p>The remuneration report was included within the unaudited annual accounts and supporting reports and working papers were provided.</p>	<p><i>The information contained within the remuneration report is consistent with the underlying records and the annual accounts and all required disclosures have been made in line with the 2014 regulations.</i></p> <p><i>Our independent auditor's report confirms that the part of the remuneration report subject to audit has been properly prepared.</i></p> <p><i>A small presentational adjustment was made to the remuneration report (see Appendix 4 page 27)</i></p>
Annual governance statement	<p>The statement for 2021-22 outlines the corporate governance and risk management arrangements in operation in the financial year. It provides detail on the IJB's governance framework, review of effectiveness, continuous improvement agenda, and analyses the efficiency and effectiveness of these elements of the framework.</p> <p>We consider the annual governance statement to ensure that management's disclosure is consistent with the annual accounts, and that management have disclosed that which is required under the delivering good governance in local government framework.</p> <p>We considered whether the annual governance statements adequately described the changes arising in governance as a result of the COVID-19 pandemic.</p>	<p><i>We consider the governance framework and revised annual governance statement to be appropriate for the IJB and that it is in accordance with guidance and reflects our understanding of the IJB.</i></p> <p><i>We were satisfied with the proposed disclosure over the governance arrangements.</i></p> <p><i>We identified a small presentational change to the AGS (see Appendix 4 page 27)</i></p>

Qualitative aspects and future developments

Qualitative aspects

ISA 260 requires us to report to those charged with governance our views about significant qualitative aspects of the Council's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.

We consider the accounting policies adopted by the Council to be appropriate. There are no significant accounting practices which depart from what is acceptable under IFRS or the CIPFA Code.

There were no accounting estimates identified as part of our audit.

Financial statement disclosures were considered against requirements of the CIPFA Code, relevant legislation and IFRS. No departures from these requirements were identified.

Future accounting and audit developments

There are no significant future accounting or audit developments relating to the financial statements of the IJB.

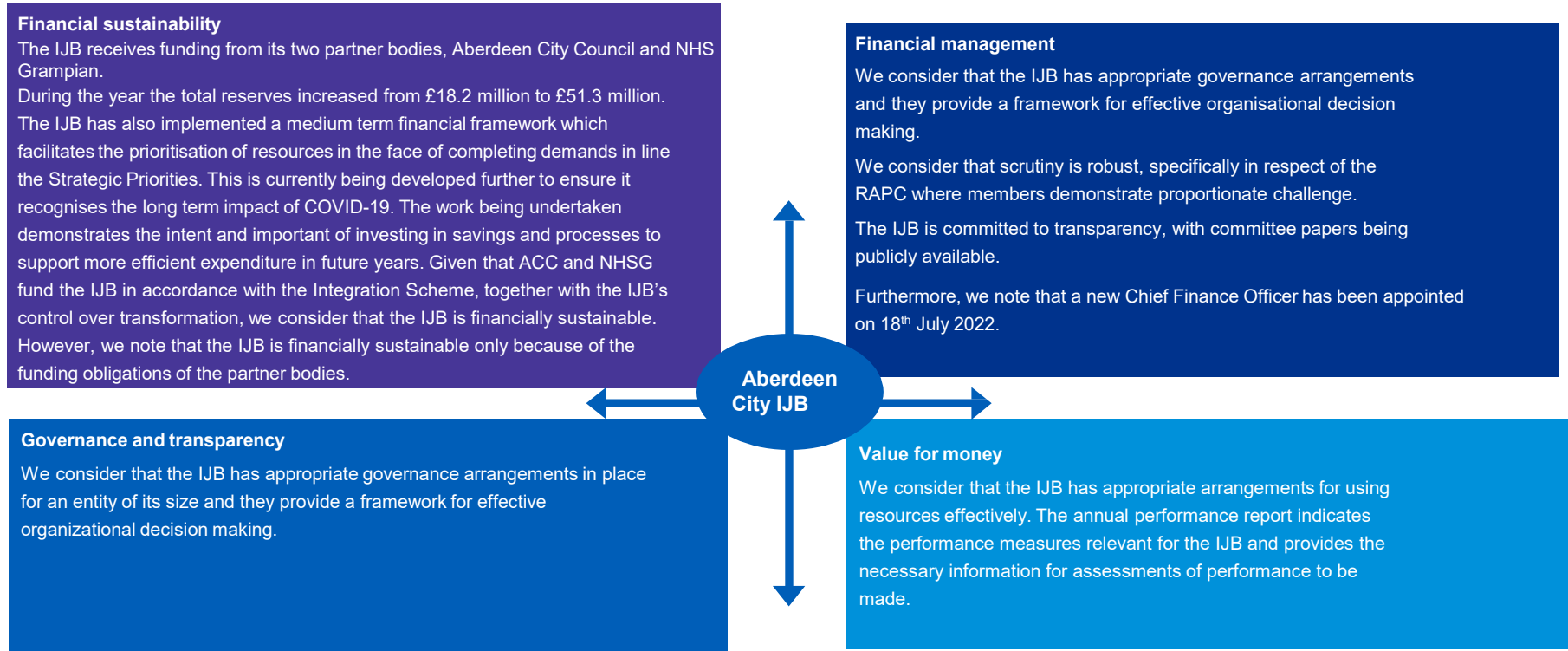
Audit dimensions introduction and conclusions

The Code of Audit Practice sets out four audit dimensions which, alongside Best Value in the local government sector, set a common framework for all the audit work conducted for the Controller of Audit and for the Accounts Commission: financial sustainability; financial management; governance and transparency; and value for money.

It remains the responsibility of the audited body to ensure that it has proper arrangements across each of these audit dimensions. These arrangements should be appropriate to the nature of the audited body and the services and functions that it has been created to deliver. We review and come to a conclusion on these proper arrangements.

During our work on the audit dimensions we considered the work carried out by other scrutiny bodies to ensure our work meets the proportionate and integrated principles contained within the Code of Audit Practice.

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Financial management

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

Budget setting process

Management continue to work with the partner bodies to discuss, develop and set an achievable budget, identifying pressures in order to manage overspends and appropriate utilisation of reserves. The current financial situation of the IJB is stable. Refer page 17.

Budgetary reporting

The IJB's financial management comes under a reasonable degree of scrutiny, with budgets monitored at IJB, local authority and NHS level.

The IJB produces finance updates which are taken to both the Board and the Risk, Audit and Performance Committee ("RAPC"). From a review of the minutes and attendance at meetings, it is evident that there is a sufficient level of scrutiny, and these reports have allowed the IJB to address overspends in a timely fashion.

Furthermore, a monthly finance update is provided from NHS Grampian to IJB management.

We reviewed the budgeting process including the monitoring of budgets throughout the year. We found that budget reports were presented to the Board and RAPC on a timely basis and that overspends are appropriately discussed and challenged.

Budget outturn and 2021-22 performance is discussed further on page 5 and 6.

Audit Scotland focus area: risk of fraud and corruption in procurement

The IJB does not have its own procurement section and is relying on the processes put in place by its funding bodies. We enquired as to how the IJB is getting assurances that these processes are effective and help mitigating risk of fraud in corruption.

The IJB directs the Council to carry out procurements and enter into contracts for social care services. The IJB then has the assurance that the Commercial and Procurement Shared Service (CPSS), including the social care team, follow the Aberdeen City Council scheme of governance and Procurement Regulations for all its activity.

All staff have to have delegated procurement authority, after undertaking the appropriate training.

We consider the IJB arrangements in relation to procurement appropriate.

Financial regulations

The IJB has standing financial regulations which determine how spend can be authorized. The highest budget virement that can be approved by the Chief Officer is £50,000, with anything above that level having to go through the Board, which conducts its meetings in public. We consider this to be an appropriate level for escalation.

The Chief Financial Officer is responsible for ensuring that appropriate financial services are available to the IJB and the Chief Officer.

Financial management

Capacity and service transformation

The S95 officer is the chief finance officer, therefore has appropriate status within the IJB and access to the partner chief executive officers and Board members. The finance function consists of the chief finance officer, and other resources are used as required from Aberdeen City Council and NHS Grampian finance teams. Finance function capacity is considered to be appropriate, and is supported by a full leadership team.

The IJB provides induction and ongoing training for both elected members and other Board members. There is an ongoing calendar of workshops which take place after most Board meetings to address upcoming subjects and are intended to give members the knowledge they need in order to provide appropriate scrutiny.

In addition, NHS Grampian provide financial support for specific service areas such as Prescribing, and Primary Care. The Partnership Finance Manager provides significant support to the day to day financial management and control within the IJB. The IJB continues, through redesigning care, to analyse service expenditure in order to identify savings and efficiencies.

With increasing demand on senior officers time and resources, management should undertake reviews such as this to ensure that required resources to deliver integrated services are full identified and sourced.

Arrangements for the prevention and detection of fraud

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

We considered the arrangements in place for the prevention and detection of fraud to be adequate.

COVID-19 impact assessment

The worldwide COVID-19 pandemic has understandably had an impact on a wide ranging number of topics across the globe. As part of our wider scope reporting in respect of the IJB, we considered the impact on governance and financial sustainability.

As part of its response to COVID-19 pressures, the IJB participated in regular reporting to the Scottish Government detailing financial pressures. This covered both health and social care, being reported via NHS Grampian. The IJB was also required to complete a one year workforce plan for submission to the Scottish Government. This was a valuable undertaking and Management considered this process to be robust. The IJB also completed regular financial reporting in respect of Re-Mobilisation plans, planning the necessary actions to react to the impact of the pandemic, identifying new approaches to service delivery, redeploying staff and capturing additional costs.

Annual Accounts

The same as last year the annual accounts preparation continuous to be brought forward in order to adhere to the Aberdeen City Council accelerated timetable. Officers issued unaudited annual accounts to the Audit and Risk committee on 27 April 2022. The audit was conducted from May 2022 with audit adjustments identified detailed on page 27.

Management performed well to accelerate the timetable whilst maintaining quality for the fifth year in a row.

Conclusion

The IJB has developed a medium term financial framework covering 2022-23 to 2028-29. This short term forecasting recognises the extreme level of planning uncertainty and the impact of rising costs and wider economic uncertainty.

Overall financial capacity is appropriate for the purposes of delivering services and day to day management.

Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the IJB is planning effectively to continue to deliver its services. This is inherently a risk to the IJB given the challenging environment where funding is reduced in real terms and efficiency savings are required.

Budget setting

The IJB receives budget allocations from NHS Grampian and Aberdeen City Council. The IJB budget is set one year in advance, in line with the current practice of single year budget allocations from Scottish Government. At the end of March 2022, the IJB approved the 2022/23 budget set out the financial framework to 2028/29 which included consideration of the strategic delivery plans as well as additional funding from the Scottish Government. The financial plan has included considerations for pay and price pressures, essential investment requirements and savings opportunities across all areas of the budget.

The total final approved funding for IJB in 2022-23 is £334.03 million, which is a 1.1% increase from the £334.03 million prior year initial budget. Around 71% of this funding comes from NHS Grampian and 29% from Aberdeen City Council. Both partners are facing financial challenges with demand exceeding resources available and transformation programmes being underway. These financial pressures directly impact the IJB as funding from partners is the IJB's sole source of recurring funding, and the partners' savings targets are naturally reflected within the IJB budget.

Every year the Board refreshes its five year medium term financial strategy. In the previous years the IJB increased its risk fund for any contingencies. There is £2.5 million of the fund left in the reserves and the Board is currently considering its future use. The reserves at 31st March 2022 included reserves for Covid-19 funding which is planned to be used in 2022-23.

We note that the level of savings required next year has already been achieved however there are significant challenges in the later years in the plan presents a financial sustainability challenge in the future years.

Reserves strategy

During the 2022 financial year, there has been a significant increase in reserves. In March 2022, £24.317 million was provided to the IJB from Scottish Government to be earmarked for additional COVID-19 costs. Of this, £19.740 million remains within an earmarked COVID-19 reserve.

The IJB reserves balance at 31 March 2022 was £51.392 million and of this amount, £48.892 million has been earmarked to meet Scottish Government objectives, local priorities and to balance the plan for the 2022/23 financial year. The unearmarked reserves balance equates to 2% and enables the IJB to meet its Reserves policy that sets a level of contingency general reserve at 2% of the IJB net expenditure.

On 12 September 2022, the IJB received an 'update on covid reserves' from Scottish Government which cited an intention to reclaim surplus Covid reserves from IJBs and expectation that they are utilised in full in 2022-23. We understand that there are ongoing discussions with Scottish Government regarding the potential return of funding. We consider that a return of funding would need to be considered in terms of the accounting presentation in 2022-23 should a payment be made and the governance / IJB approval that may be required in respect of that payment.

Recommendation two

Financial sustainability (continued)

Risk sharing

The integration scheme sets out the process to be followed should the IJB overspend against the agreed budget. The Chief Officer and Chief Financial Officer are expected to manage the budget to ensure that there are no overspends. Where an unexpected overspend is likely the Chief Financial Officer should agree corrective action to mitigate the overspend. Where this does not resolve the gap, agreement must be made between the partner bodies, in conjunction with the executive team, to agree a recovery plan to balance the budget.

Where this is unsuccessful and the IJB overspends at the year end, uncommitted reserves are applied to the overspend firstly and the remaining overspend is either met by a voluntary additional one-off payment from a partner or the partners make joint additional payments proportionate with their respective share of the IJB baseline budget.

This arrangement gives the IJB comfort that overspends will ultimately be met by the partners.

While the reserves levels are decreasing the existence of this legal framework allows the IJB to prepare the annual accounts on a going concern basis.

Going Concern

The annual accounts are prepared on a going concern basis. Both partner bodies have identified their financial challenges and put in place savings plans. As appointed auditor to Aberdeen City Council we have reported positively on its financial management arrangements and its proactive monitoring of budgets and savings.

Management consider it appropriate to continue to adopt the going concern assumption for the preparation of the annual accounts, supported by factors including:

- The regulations governing the IJB include reference to the entity following appropriate accounting practice, which is the 2021-22 Code. This code states that the entity shall prepare accounts on a going concern basis
- The current integration scheme provides that all overspends shall ultimately be met by the partner bodies. Given that the positions of NHS Grampian and Aberdeen City Council are also going concerns, management believe that the partner bodies have sufficient ability to meet any liability that falls due.

We consider that the Scottish Government is likely to continue to support NHS Grampian due to service users' needs, and the legislation is in place to ensure the Grampian region has an NHS health board. In light of this position, the strong management of resources and the commitment from the two partner organisations we concur with the going concern basis.

Financial sustainability (continued)

Financial sustainability

Management have provided four updates to Board members during the 2022 financial year, with a further update to be provided at the end of September. Reporting to members was in addition to the regular financial assessments submitted to the Scottish Government, which covered both Health and Social Care elements via NHS Grampian.

The costs in Social Care and Health service delivery for COVID-19 specific activities have been met by the Scottish Government and the IJB's expenditure reflects the additional costs incurred as a result of Covid-19. Throughout 2021-22, Aberdeen City Council recognised pressures and costs highlighted by the IJB, and the IJB continue to work with the Council to plan and budget for these ongoing pressures.

Transformation programme

In June 2022 the IJB approved the 2022-2025 strategic plan which has the following high level aims:

- Caring Together;
- Keeping People Safe at Home;
- Preventing Ill Health; and
- Achieving Fulfilling, healthy lives.

Against each of the Strategic Aims and Enablers the IJB have identified a number of priorities. Each of these priorities has programmes of work identified to deliver on them with each programme consisting of a number of projects of varying depth and scope.

As noted in our previous Annual Audit Reports, a strong governance structure has been put in place to ensure effective operational and executive oversight of the transformation program. The programme has priority projects which are considered to have the largest potential impact and those that support the IJB's plans to shift towards a more person-centred and community-focussed health and social care service.

Governance arrangements

During the 2022 financial year, COVID-19 continued to impact the IJB's strategic plans and this resulted in risks and mitigation plans being updated on a regular basis. Systems, processes and controls in place enabled the IJB to be flexible in meeting service demands, while still following clear decision making and sound governance processes.

Virtual meetings continue to be used for effective and efficient meetings and decision making.

Conclusion

The 2021-22 budget was set in March 2021 based on the understanding that the uncertainty over Covid-19 would be funded by additional income. This budget set out a very early indication of the expected COVID-19 expenditure and the Scottish Government funding to be received.

There is also a medium term financial framework covering the period 2022/23 to 2028/29 which reflects management's intent to support medium term financial planning. This will allow the IJB to better facilitate the extra community demands and significant Scottish Government funding provided.

Governance and transparency

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Governance framework

The integration scheme arrangement between Aberdeen City Council and NHS Grampian sets out the key governance arrangements. The Board is responsible for establishing arrangements for ensuring the proper conduct of the affairs of the IJB and for monitoring the adequacy of these arrangements.

The Board and Risk, Audit and Performance Committee hold meetings on a regular basis throughout the year. We review minutes from each to assess their effectiveness. We also periodically attend meetings of the Risk, Audit and Performance Committee for the purpose of presenting our findings and statutory reports. From attendance at these meetings, we consider scrutiny to be effective.

The IJB used CIPFA Guidance: Delivering Good Governance in Local Government Framework to review its governance arrangements, and this included carrying out a self-assessment review of the IJB's governance arrangements. This provided assurance that key governance policies and arrangements are in place, and an improvement action was identified for any high or medium risk findings.

Membership

Management ensures that new members are appropriately trained. We have not identified deficiencies in member scrutiny and challenge during the year and it is clear that members are aware that their role is challenging and they have a steep learning curve to ensure that they can fully deliver on their role. The IJB has a significant period of adjustment to meet the needs of the community in the aftermath of the pandemic and is facing significant cost and demand pressures moving forward. Members will need to make important decisions moving forward around the ambitions of the Strategic Commissioning Plan, in particular the future shape and scale of service delivery. In this context, member continuity and experience is important.

Member changes affect the Board's ability (through understanding and experience) and capacity, to fully scrutinise, challenge and support management. It also inherently takes time for members to fully understand the IJB and its activities.

Internal audit

The IJB has an internal audit function which undertakes reviews at both the IJB level and Aberdeen City Council level. NHS Grampian has its own internal audit function, however any reviews specific to the IJB are shared with the Board and RAPC. As at September 2022, Internal audit completed two audits during 2021-22 (one from prior year), with two further audits under the review in progress position into 2022-23. There were no recommendations graded as 'major'. This delivery is less than planned and difficulties were encountered due to Covid-19.

The chief internal audit auditor concluded in the annual audit report that sufficient work was completed during the year, or was sufficiently advanced to enable it to conclude that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's framework of governance, risk management and control.

The chief internal auditor has carried out a self assessment of the activities of internal audit against the requirements of Public Sector Internal Audit Standards ("PSIAS"), focusing our review on the public sector requirements of the attribute and performance standards contained within PSIAS. He has confirmed that the IJB fully conforms to the other with agreed actions to fully meet the requirements in place. We reviewed internal audit reports and conclusions, and through discussion obtained the views of internal audit of risks of fraud within the Council.

The review of internal audit reports and conclusions did not indicate additional risks and there was no impact on our audit approach.

Governance and transparency (continued)

Risk management

In 2016, the three IJBs within the Grampian area agreed a risk management strategy, in conjunction with their respective partner bodies. A strategic risk management framework and risk register were developed.

In 2020 a COVID-19 risk register was established to allow short-term prioritisation of Scottish Government funding. This specific risk register has now been amalgamated with the overall risk register as it has become clear that the IJB will be undertaking COVID-19 affected work for the foreseeable future.

System of internal control

Aberdeen City Council and NHS Grampian are the partner bodies. All financial transactions of the IJB are processed through the financial systems of the partner bodies and are subject to the same controls and scrutiny as the Council and Health Board, including the work performed by internal audit.

Fraud

Arrangements are in place to ensure that suspected or alleged frauds or irregularities are investigated by one of the partner bodies internal audit sections. Since the Board does not directly employ staff, investigations will be carried out by the internal audit service of the partner body where any fraud or irregularity originates. NHS Grampian can also call on the expertise of Counter Fraud Services provided through NHS National Services Scotland.

Transparency

The public should be able to hold the IJB to account for the services it provides. Transparency means that the public has ready access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using its resources.

Full details of the meetings held by the IJB and the RAPC committee are available through the Aberdeen City Council website. Members of the public can access committee papers and minutes of meetings, with exempt items minimised as much as possible. Reasons for papers being discussed in private are given in the meeting minutes. Members of the public are welcome to attend board meetings and RAPC meetings. We have not found evidence to suggest that information is unjustifiably withheld from public scrutiny. Furthermore, members of the public can attend meetings of the IJB. Overall we concluded that the IJB is open and transparent.

Conclusion

The IJB has effective scrutiny and governance arrangements, supported by joint internal audit staff from both partners, and with adequate focus on risk management. The IJB conducts its business in an open and transparent manner.

The arrangements in place to investigate and prevent fraud are appropriate.

Membership of the IJB remains unstable. Further changes to membership to voting members could significantly impair the IJB's ability to operate effectively.

Value for money

Value for money (“VfM”) is concerned with using resources effectively and continually improving services.

The Public Bodies (Joint Working) (Scotland) Act 2014 sets out a broad framework for creating integration authorities. This allowed boards a flexibility to enable them to develop integrated services that best suited local circumstances.

The integration scheme specifies the range of functions delegated by Aberdeen City Council and NHS Grampian to the IJB. The IJB is responsible for establishing effective arrangements for scrutinizing performance, monitoring progress towards their strategic objectives, and holding partners to account.

Performance indicators

Integration authorities are required to contribute towards nine national health and wellbeing outcomes which are intended to focus on the needs of the individual to promote their health and wellbeing, and in particular, to enable people to live healthier lives in their community. In order to review performance the IJB developed a performance management framework. The performance reports summarise performance to date towards the nine national health and wellbeing outcomes and the IJB’s local strategic outcomes.

The IJB considers its performance reports quarterly by both the RAPC and the Board. The IJB will summarise its performance in its annual performance report planned for the September meeting. With the new approach the Board will also receive reports on the national and the ministerial strategic group indicators after the financial year end and this is planned for June meeting.:

Value for money in key decisions

The board considers and discusses difficult decisions throughout the year as appropriate. For example, the transformational change projects to prioritise. These are supported by options appraisals and business cases where appropriate.

Strategic and corporate planning

The Strategic Commissioning Plans Guidance published by the Scottish Government in 2015 sets out an expectation that developing and updating strategic plans should be part of an iterative, cyclical process. The IJB approved a new strategic plan for 2022 – 2025 in June 2022.

As part of the Scottish Government’s requirement for the IJB to report regularly on its Remobilisation Plan, management recognised the ability to link this plan to the Strategic Commissioning Plan’s (‘SCP’) objectives. As part of this, management have been able to report progress on both the SCP’s objectives and the Remobilisation Plan. Management report to public and members of the Board its progress on the SCP through its Annual Performance Report.

The plan aligns the Scottish Government’s nine national outcomes against the objectives of the IJB. The plan also highlights what residents of Aberdeen City can expect from the refreshed plan.

Recruitment challenges continue within Health and Social Care Sectors, while demand for services increases. Filling positions and attracting the right candidates with the appropriate skills is an ongoing challenge.

Conclusion

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

Appendices

Appointed auditor's responsibilities

AREA	APPOINTED AUDITOR'S RESPONSIBILITIES	HOW WE HAVE MET OUR RESPONSIBILITIES
Statutory duties	Undertake statutory duties, and comply with professional engagement and ethical standards.	<i>Appendix two outlines our approach to independence.</i>
Financial statements and related reports	Provide an opinion on audited bodies' financial statements and, where appropriate, the regularity of transactions. Review and report on, as appropriate, other information such as annual governance statements, management commentaries, and remuneration report.	<i>Page 8 summarises the opinions we have provided. Page 12 reports on the other information contained in the financial statements, covering the annual governance statement, management commentary and remuneration report</i>
Financial statements and related reports	Notify the Auditor General or Controller of Audit when circumstances indicate that a statutory report may be required.	<i>Reviewed and concluded on the effectiveness and appropriateness of arrangements and systems of internal control, including risk management, internal audit, financial, operational and compliance controls.</i>
Wider audit dimensions	Demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies': <ul style="list-style-type: none"> - Effectiveness in the use of public money and assets; - Suitability and effectiveness of corporate governance arrangements; - Financial position and arrangements for securing financial sustainability; - Effectiveness of arrangements to achieve best value; and - Suitability of arrangements for preparing and publishing statutory performance information 	<i>We have set our conclusions over the audit dimensions on page 14.</i>

Auditor independence

Assessment of our objectivity and independence as auditor of Aberdeen City Integration Joint Board (“the IJB”)

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP’s objectivity and independence, the threats to KPMG LLP’s independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP’s objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to the entity for professional services provided by us during the reporting period.

Total fees charged by us for the period ending 31 March 2022 can be analysed as follows:	2021-22 £	2020-21 £
Audit of the Aberdeen City IJB financial statements	27,960	30,060
Total audit services	27,960	30,060
Non-audit services	-	-
Total	27,960	30,060

There were no non-audit services provided during the year to 31 March 2022.

Independence and objectivity considerations relating to other matters

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

Confirmation of audit independence

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








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








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

Yours faithfully,

KPMG LLP

Required communications with the IJB Board

Type	Response
Our draft management representation letter	 We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2022.
Adjusted audit differences	 There were no adjusted audit differences. However there were two presentational adjustments made
Unadjusted audit differences	 There were no unadjusted audit differences.
Related parties	 There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit and Performance Committee	 There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	 We identified one internal control weakness during our audit. Management retain the responsibility for maintaining an effective system of internal Control.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	 No actual or suspected fraud involving group or component management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.

Type	Response
Significant difficulties	 No significant difficulties were encountered during the audit.
Modifications to auditor's report	 There were no modifications to the auditor's report.
Disagreements with management or scope limitations	 The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	 No material inconsistencies were identified related to other information in the annual report, management commentary and annual governance statement. The management commentary is fair, balanced and comprehensive, and complies with the law.
Breaches of independence	 No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
Accounting practices	 Over the course of our audit, we have evaluated the appropriateness of the IJB's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Key audit matters discussed or subject to correspondence with management	 The key audit matters (summarized on pages 10 and 11) from the audit were discussed with management.

Audit differences

We did not identify and audit misstatements.

Presentational differences

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Adj	Nature of presentational adjustment
1	<p>Remuneration report</p> <p>For lump sum for Chief Finance Officer moved from 40k to 41k at 31 March 2022. However the lump sum difference column showed 0. The difference is due to a rounding. For clarify and mathematical accuracy we have asked management to change the figure to 1.</p>
2	<p>Annual Governance Statement:</p> <p>Under Audit Scotland guidance, the Annual Governance Statement is required to make appropriate reference to 'counter fraud and anti-corruption arrangements are in accordance with Code of Practice on Managing the Risk of Fraud and Corruption'. The initial un-audited Annual Governance Statement did not make appropriate reference to this required item.</p>

Recommendations

The table below summarised the recommendations made during the 2021-22 audit.

Grade	Number recommendations raised	Implemented	In progress	Overdue
Final	2	-	2	-

We have provided a summary of progress against 'in progress' actions below, and their current progress.

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
1. Related Parties Declaration of Interests		
	Grade three	
<p>All members of the IJB must submit annual declaration of interests which notes any related parties. We have review the register of interests which is publicly available on the IJB committee website and compared to the list of members of the IJB to check that all members have submitted their declaration of interests within the past year.</p> <p>We identified one member who had not submitted their declaration of interest within the past year and therefore we have raised a control deficiency.</p>	<p>We recommend that the IJB ensures all members submit at a minimum an annual declaration of their interests.</p> <p>This will assist with timely identification of related party transactions and appropriate disclosure in the accounts.</p>	<p>Management response: Agree to review all declaration of interest returns to ensure they are complete and up to date</p> <p>Responsible officer: Emma Robertson Committee Services Officer</p> <p>Implementation date: 31st December 2022</p>
2. Financial sustainability		
	Grade one	
<p>On 12 September 2022, the IJB received an 'update on covid reserves' from Scottish Government which cited an intention to reclaim surplus Covid reserves from IJBs and expectation that they are utilised in full in 2022-23. We understand that there are ongoing discussions with Scottish Government regarding the potential return of funding.</p>	<p>We consider that a return of funding would need to be considered in terms of the accounting presentation in 2022-23 should a payment be made and the governance / IJB approval that may be required in respect of any payment.</p>	<p>Management response: The ongoing discussions regarding any return of the surplus Covid reserve will be closely monitored. Once final guidance has been received this will be reported to the IJB for approval.</p> <p>Responsible officer: Paul Mitchell – Chief Finance Officer</p> <p>Implementation date: 31st March 2023</p>



The contacts at KPMG in connection with this report are:

Michael Wilkie

Director

Tel: +44 (0)7795 370106

michael.wilkie@kpmg.co.uk

Matthew Moore

Manager

Tel: +44 (0)7468 369807

matthew.moore@kpmg.co.uk



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