



# 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

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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](mailto: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](mailto: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 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.

## 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.

## 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)
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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.

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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)
<b>Mainstream Services</b>	<b>384,323</b>	<b>356,845</b>	<b>(27,478)</b>
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)
<b>Funds</b>	<b>10,773</b>	<b>5,095</b>	<b>(5,678)</b>
<b>Total Cost of Services</b>	<b>395,096</b>	<b>361,940</b>	<b>(33,156)</b>

# 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
<b>Net assets</b>	<b>51,392</b>	<b>18,236</b>
Usable reserve : General fund	(51,392)	(18,236)
<b>Total reserves</b>	<b>(51,392)</b>	<b>(18,236)</b>

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

Significant risk	Our Response	Audit conclusion
<p><b>Fraud risk from management override of controls</b></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"> <li>- 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.</li> <li>- Strong oversight of finances by management provides additional review of potential material errors caused by management override of controls.</li> <li>- 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.</li> </ul>	<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><b>Fraud risk from income revenue recognition and expenditure</b></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"> <li>— 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.</li> <li>— 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</li> </ul>	<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

Other focus area	Our response	Audit conclusion
<b>Financing focus area</b>		
<p><b>Completeness and accuracy of expenditure</b></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"> <li>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.</li> </ul>	<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><b>Financial sustainability</b></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"> <li>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</li> <li>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.</li> <li>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.</li> <li>See page 17 for further information regarding the financial sustainability wider scope.</li> </ul>	<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

Report	Summary observations	Audit conclusion
<b>Management commentary</b>	<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>
<b>Remuneration report</b>	<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>
<b>Annual governance statement</b>	<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

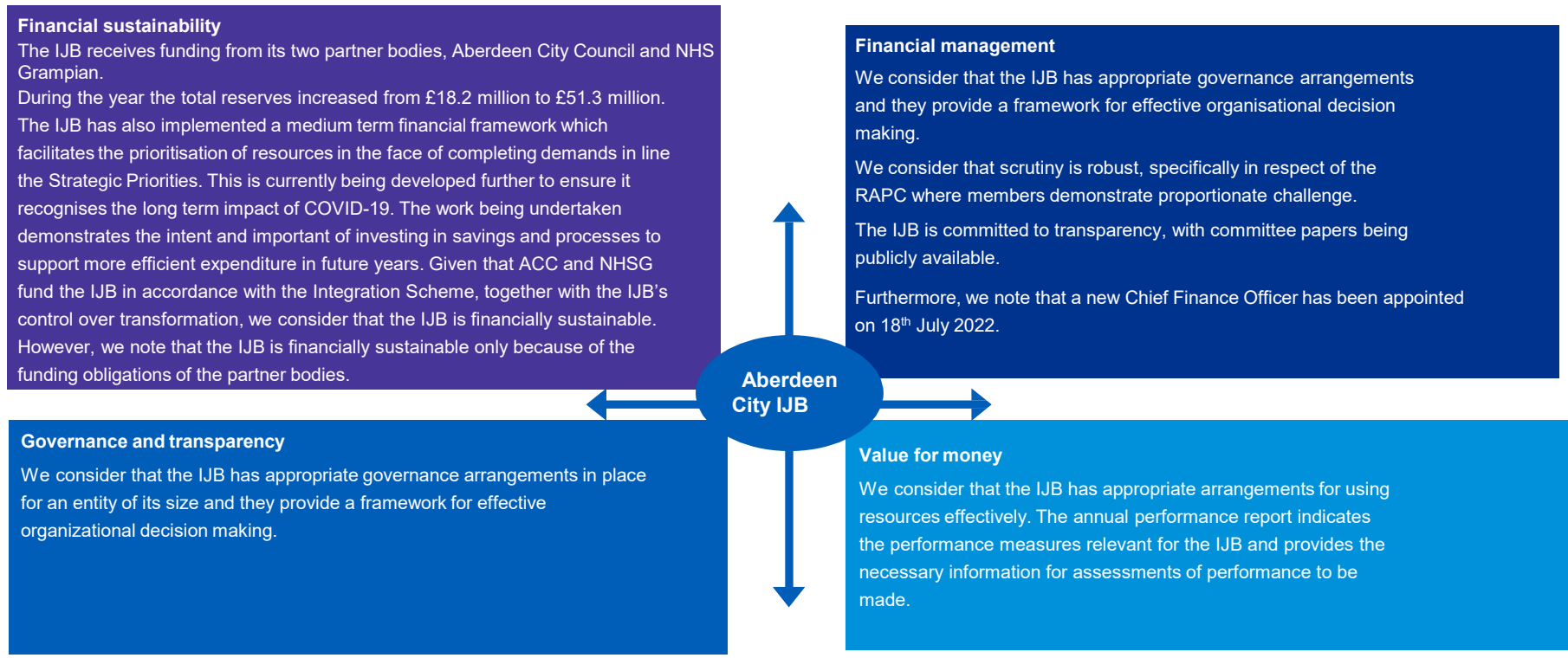
There are no significant future accounting or audit developments relating to the financial statements of the IJB.

# 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.



# 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 31<sup>st</sup> 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
<b>Statutory duties</b>	Undertake statutory duties, and comply with professional engagement and ethical standards.	<i>Appendix two outlines our approach to independence.</i>
<b>Financial statements and related reports</b>	<p>Provide an opinion on audited bodies' financial statements and, where appropriate, the regularity of transactions.</p> <p>Review and report on, as appropriate, other information such as annual governance statements, management commentaries, and remuneration report.</p>	<p><i>Page 8 summarises the opinions we have provided.</i></p> <p><i>Page 12 reports on the other information contained in the financial statements, covering the annual governance statement, management commentary and remuneration report</i></p>
<b>Financial statements and related reports</b>	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>
<b>Wider audit dimensions</b>	<p>Demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies':</p> <ul style="list-style-type: none"> <li>- Effectiveness in the use of public money and assets;</li> <li>- Suitability and effectiveness of corporate governance arrangements;</li> <li>- Financial position and arrangements for securing financial sustainability;</li> <li>- Effectiveness of arrangements to achieve best value; and</li> <li>- Suitability of arrangements for preparing and publishing statutory performance information</li> </ul>	<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
<b>Total audit services</b>	<b>27,960</b>	<b>30,060</b>
Non-audit services	-	-
<b>Total</b>	<b>27,960</b>	<b>30,060</b>

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
<b>Our draft management representation letter</b>	 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.
<b>Adjusted audit differences</b>	 There were no adjusted audit differences. However there were two presentational adjustments made
<b>Unadjusted audit differences</b>	 There were no unadjusted audit differences.
<b>Related parties</b>	 There were no significant matters that arose during the audit in connection with the entity's related parties.
<b>Other matters warranting attention by the Audit and Performance Committee</b>	 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.
<b>Control deficiencies</b>	 We identified one internal control weakness during our audit. Management retain the responsibility for maintaining an effective system of internal Control.
<b>Actual or suspected fraud, noncompliance with laws or regulations or illegal acts</b>	 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
<b>Significant difficulties</b>	 No significant difficulties were encountered during the audit.
<b>Modifications to auditor's report</b>	 There were no modifications to the auditor's report.
<b>Disagreements with management or scope limitations</b>	 The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
<b>Other information</b>	 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.
<b>Breaches of independence</b>	 No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
<b>Accounting practices</b>	 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.
<b>Key audit matters discussed or subject to correspondence with management</b>	 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

Adj	Nature of presentational adjustment
1	<p><b>Remuneration report</b></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><b>Annual Governance Statement:</b></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
<b>1. Related Parties Declaration of Interests</b>		
	<b>Grade three</b>	
<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><b>Management response:</b> Agree to review all declaration of interest returns to ensure they are complete and up to date</p> <p><b>Responsible officer:</b> Emma Robertson Committee Services Officer</p> <p><b>Implementation date:</b> 31<sup>st</sup> December 2022</p>
<b>2. Financial sustainability</b>		
	<b>Grade one</b>	
<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><b>Management response:</b> 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><b>Responsible officer:</b> Paul Mitchell – Chief Finance Officer</p> <p><b>Implementation date:</b> 31<sup>st</sup> March 2023</p>



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