

Annual Audit Report for Aberdeenshire Integration Joint Board

Financial year ended
31 March 2023

Prepared for those Charged with Governance and the
Controller of Audit

10 January 2024



Contents



Your key Grant Thornton
team members are:

Angela Pieri

Engagement Lead

T: 0161 214 6337

E: Angela.L.Pieri@uk.gt.com

Cathy Smith

Audit Manager

T: 0141 223 0657

E: Cathy.Smith@uk.gt.com

Section	Page
Executive Summary	3
Introduction	5
Audit of the annual report and accounts	6
Wider scope and best value conclusions	20
Appendices	
1. Audit adjustments	34
2. Action plan and recommendations – Financial statements audit	36
3. Action plan and recommendations – Wider scope and best value	38
4. Follow up of prior year recommendations	40
5. Audit fees, ethics and independence	43
6. Communication of audit matters	46

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our external audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect Aberdeenshire Integration Joint Board or all weaknesses in your internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Practice 2021). We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive Summary (1)

This table summarises the key findings and other matters arising from the external audit of Aberdeenshire Integration Joint Board (IJB) and the preparation of the financial statements for the year ended 31 March 2023 for those charged with governance (the Board) and the Controller of Audit.

Financial Statements

Summary

Under International Standards of Audit (UK) (ISAs) and Audit Scotland's Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- The IJB's financial statements give a true and fair view of the state of affairs of the IJB as at 31 March 2023 and of the income and expenditure of the organisation for the year then ended;
- the IJB's financial statements have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code;
- the IJB's 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; and
- the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

We are required to report whether the information given in the Management Commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003.

We are also required to report on whether the information given in the Annual Governance Statement is consistent with the financial statements and prepared in accordance with the Delivering Good Governance in Local government: Framework (2016).

We issued an unmodified opinion on 10 January 2024.

Draft financial statements

The draft financial statements were presented for audit after the deadline of 30 June 2023, with the IJB authorising their financial statements on 5 July 2023. We have been supported by Aberdeenshire IJB's officers during the audit process.

There are improvements needed in the underlying working papers submitted to audit, to support the reconciliation of the IJB ledger, to the unaudited financial statements, and then the respective IJB entries recorded by NHS Grampian and Aberdeenshire Council. This is a continuation of a recommendation raised by external audit in prior year. [See Appendix 2.](#)

Completion of the Audit

In accordance with Audit Scotland guidelines the target sign off date was the 30th September 2023. The initial Annual Audit Report was presented to the IJB Audit Committee on 29 November 2023, with a final opinion given of 10 January 2024 after final queries were resolved. This report has been updated to the date of audit sign off. Whilst an Audit Committee was planned for September, we needed to re-prioritise resource to the Aberdeenshire Council external audit, delaying the IJB audit. We also, as referenced in this report incurred difficulties in reconciling the unaudited accounts to underlying transactions.

Executive Summary (2)

Financial Statements (continued)

Planning and interim audit

Our planning and interim audit was delayed from the intended audit date of February 2023 at the IJB's request, due to the budget setting process. We found some difficulties in obtaining responses to our documentation requests, and our Audit Plan was delayed as a result. The target deadline for completion of an Audit Plan per Audit Scotland guidance was 31 March 2023. Our Audit Plan was issued on 23 May 2023, and presented to the Audit Committee on 5 July 2023. A recommendation is noted at Appendix 2 regarding the timeliness of the response to the planning and interim audit. Additional audit fee is sought due to the amount of additional meetings and extra audit resource incurred, with the planning and interim audit spanning months to complete.

Misstatements and recommendations

Our audit work was substantially completed during October and November 2023. Our findings are summarised on pages 6 to 17. Appendix 1 sets out the agreed audit adjustments including disclosure amendments. There were no unadjusted misstatements.

We have raised two financial statements recommendations for management as a result of our audit work on the financial statements. These are set out in **Appendix 2**.

Our follow up of the four recommendations made by the predecessor auditor last year are detailed in **Appendix 4**. All are actioned with one superseded and forming part of the recommendations within Appendix 2.

We would like to take this opportunity to record our appreciation for the assistance provided by the Chief Finance and Business Officer and other staff in completing the external audit.

Wider Scope

Under the Audit Scotland Code of Audit Practice ('the Code'), the scope of public audit extends beyond the audit of the financial statements. The Code requires auditors to consider the IJB's arrangements in respect of financial management, financial sustainability, vision leadership and governance and use of resources to improve outcomes.

In our External Audit Plan for the year ended 31 March 2023, we documented our assessment of the wider scope risks and planned audit work. At the planning stage, we identified two risks in respect of financial sustainability and the IJB's governance arrangements.

We outline our work undertaken in response to the arrangements in place and the risks identified and conclude on the effectiveness and appropriateness of the arrangements in place based on the work carried out. Further details of the work undertaken are outlined on pages 19 to 34.

We have raised three recommendations for management as a result of our audit work on wider scope. These are set out in **Appendix 3**.

There remains a significant risk in respect of financial sustainability given the significant financial challenges the IJB faces over the longer term. In addition, an Action Plan in response to Internal Audit's recommendations on governance is in the process of being implemented.

Introduction

Scope of our audit work

This report is a summary of our findings from our external audit work for the financial year at Aberdeenshire IJB. The scope of our audit was set out in our External Audit Plan.

The core elements of our audit work in 2022/23 have been:

- An audit of the IJB's annual report and accounts for the financial year ended 31 March 2023 [findings reported within this report];
- Consideration of the wider dimensions that frame the scope of public audit as set out in Audit Scotland's Code of Audit Practice 2021 ('the Code') [within this report];
- Any other work requested by Audit Scotland.

Our work has been undertaken in accordance with International Standards of Auditing (ISAs) (UK) and the Code.

This report is addressed to the IJB and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Responsibilities

The IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts in accordance with proper accounting practices. The IJB is also responsible for compliance with legislation, and establishing arrangements over governance, propriety and regularity that enable it to successfully deliver its objectives.

Our responsibilities as independent auditors, appointed by the Accounts Commission, are set out in the Local Government in Scotland Act 1973, the Code and supplementary guidance, and International Standards on Auditing in the UK.

The recommendations or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve officers from their responsibility to address the issues raised and to maintain an adequate system of control.

Adding value through our audit work

We aim to add value to the IJB throughout our audit work. We do this through using our wider public sector knowledge and we invited the IJB to our annual local government accounting workshop.

Through our expertise, we provide constructive, forward-looking recommendations where we identify areas for improvement and encourage good practice around financial management and financial sustainability, risk management and performance monitoring. In so doing, we aim to help the IJB promote improved standards of governance, better management and decision making, and more effective use of resources.

Audit of the annual report and accounts

Our approach to the audit of the financial statements



Overall materiality

£5.94 million which represents 1.5% of the IJB's gross expenditure.

Although gross expenditure increased in the draft financial statements for 2022/23, we determined that materiality would remain the same as the planning stage.

Key audit matters

There were no key audit matters identified.

Significant risks

The significant risks were identified as:

- Management override of controls (ISA (UK) 240)

Internal control environment

In accordance with ISA requirements, we have developed an understanding of the IJB's control environment. Our audit is not controls based and we have not placed reliance on controls operating effectively as our audit is substantive in nature.

In accordance with ISAs, over those areas of significant risk of material misstatement, we consider the design of controls in place.

However, we do not place reliance on the design of controls when undertaking our substantive testing.

Recap of our audit approach and key changes in our audit strategy

We have identified that a risk over the completeness of expenditure at the planning stage reported in our Audit Plan has changed and this is rebutted in our final audit approach. Our rationale for this amendment is set out in this final report.

There are no other changes in our approach since our Audit Plan was presented to the Audit Committee on 5 July 2023.

Status of Audit Work

As an audit team, we have focused on concluding our work on the significant audit risks and the significant classes of transactions we have identified in our scoping. These are the areas of the accounts that are, in our view, at greater risk of material misstatements, with a potential to impact our auditor's opinion.

We have completed our audit work, and we issued an unmodified audit opinion on 10 January 2024.

Audit quality is important to us, and it is important as auditors that we take a step back to consider all our audit evidence and the quality of our audit work on file on completion. This includes sufficient documentation of our key auditor judgements and conclusions.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applied not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Our audit approach was set out in our Audit Plan.

- We reviewed and updated our assessment of materiality from planning based upon your 2022/23 draft financial statements and concluded that materiality is £5.94 million representing 1.5% of Aberdeenshire IJB's gross expenditure. Although expenditure in the draft financial statements was higher than at our planning stage, we kept materiality at the levels from the planning stage.
- Performance materiality was set at £3.861 million, representing 65% of our calculated materiality.
- We report to Officers (Management) any differences identified over £0.25 million.
- We applied a lower materiality threshold for disclosures within the Remuneration Report to Senior Officer and Board Member Remuneration Tables due to the sensitive nature of this disclosure, the lower materiality applied to this area was £0.005 million.

Materiality and performance materiality for financial statements as a whole

Headline Materiality threshold

Overall materiality has been set at £5.94 million which represents 1.5% of the IJB's gross expenditure.

Performance Materiality threshold

Performance materiality for the year has been set at £3.861 million which represents 65% of financial statement materiality.

Significant judgements made by auditor in determining the materiality

The determination of materiality involves the exercise of professional judgement. In determining materiality, we made the significant judgements in selecting the appropriate benchmark of expenditure and the appropriate percentage to apply to the benchmark.

Significant revision(s) of materiality threshold that were made as the audit progressed

We calculated materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on actual gross expenditure for the year ended 31 March 2023 and adjusted our audit procedures accordingly.

Detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to Aberdeenshire IJB and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks; International Financial Reporting Standards and the 2022/23 Local Government Accounting Code of Practice.
- We enquired of Senior Officers and the Chair of the Audit, Performance and Risk Committee, concerning the IJB's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of Senior Officers and the Chair of the Audit, Performance and Risk Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the IJB's financial statements to material misstatement, including how fraud might occur, by evaluating officers incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls which our audit methodology incorporates as a default significant risk. We have not identified any specific additional risks of management override relating to the audit of the IJB. Our audit procedures are documented within our response to the significant risk of management override of controls below.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, included the potential for fraud in in certain account balances and significant accounting estimates.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - Aberdeenshire IJB's operations, including the nature of its operating revenue and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - The IJB's control environment, including the policies and procedures implemented by the organisation to ensure compliance with the requirements of the financial reporting framework.

Overview of audit risks

The table below summarises the key audit matters and significant risks discussed in more detail on the subsequent pages. The status of the work is noted after any amendments identified during the audit process to the financial statements have been actioned by the IJB.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Key audit matter	Level of judgement or estimation uncertainty	Testing approach	Status of work
Management override of controls	Significant	↔	✓	✘	Low	Substantive	●

-  Assessed risk increase since Audit Plan
-  Assessed risk consistent with Audit Plan
-  Assessed risk decrease since Audit Plan

-  Not considered likely to result in material adjustment or change to disclosures within the financial statements
-  Potential to result in material adjustment or significant change to disclosures within the financial statements
-  Likely to result in material adjustment or significant change to disclosures within the financial statements

Responding to significant financial statement risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. This section provides commentary on the significant audit risks communicated in the External Audit Plan.

Significant risks and Key Audit Matters (1)

Responding to significant financial statement risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. This section provides commentary on the significant audit risks communicated in the External Audit Plan.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the IJB's financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified.

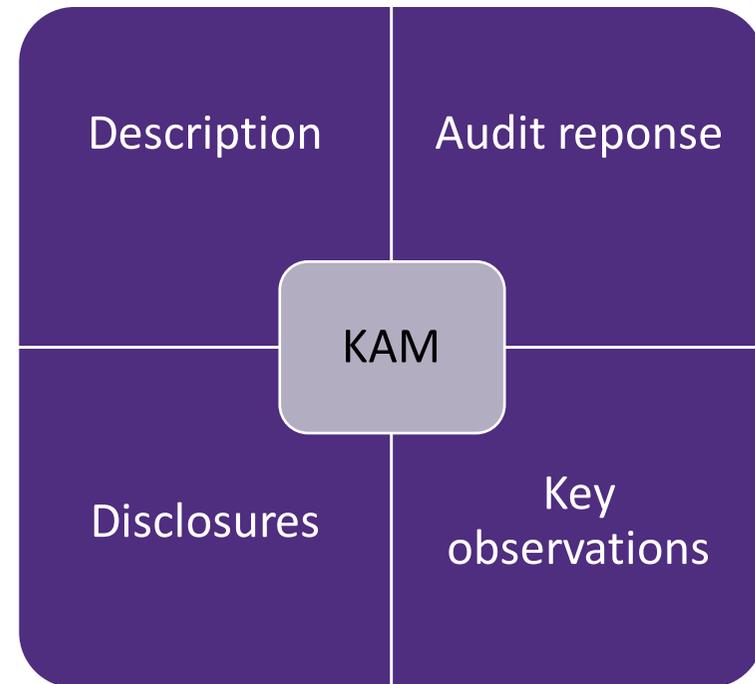
These matters included those that had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. There were no key audit matters identified.

Other risks

Other risks are, in the auditor's judgment, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit. There were no other risks identified as part of our procedures.



Significant risks and Key Audit Matters (2)

Significant risks identified in our Audit Plan

Risk 1: Management override of controls

As set out in ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a presumed risk that management override of controls is present in all entities. Our risk focuses on the areas of the financial statements where there is potential for management to use their judgement to influence the financial statements alongside the potential to override the entity's internal controls, related to individual transactions. Our work focuses on journals, critical estimates and judgements, including accounting policies and unusual transactions.

Commentary

We have considered the design of controls in place over key accounting estimates and judgements through performance of walkthrough procedures and planning inquiries with management. In doing this work, we have concluded there are no significant estimates and judgements within the Annual Report and Accounts. This is appropriately disclosed within the IJB's accounting policies and in line with our understanding of an IJB organisation.

As the IJB itself does not process journals, our work around management override of controls has included:

- obtaining assurance through the auditors of Aberdeenshire Council and NHS Grampian around the controls in place in relation to journals and management override of controls;
- considered our journals testing within the Council (as the external auditor of the organisation);
- understood how the IJB accounts were produced and whether there is an opportunity or incentive for management to override controls to show an improved IJB financial performance through financial reporting;
- gained an understanding of the critical judgements applied by management in the preparation of the financial statements of which none were identified;
- gained an understanding of the key accounting estimates made by management of which there are none and
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions

Our results

Through our audit procedures performed, we found that there was no evidence of management override of controls.

As the IJB's financial statements are prepared by merging the relevant transactions from Aberdeenshire Council and NHS Grampian, we have agreed the figures to underlying joint ledger reports to confirm accuracy and completeness.

We did not identify indication of fraud or inappropriate management bias that could result in a material misstatement.

Significant risks and Key Audit Matters (3)

Other significant risks identified in our Audit Plan Commentary

The revenue cycle includes fraudulent transactions

As set out in ISA (UK) 240 (Revised May 2021), there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

(rebutted)

Auditing standards require us to consider the risk of fraud in revenue. This is considered a presumed risk in all entities.

Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at Aberdeenshire IJB, we have determined that the risk of fraud arising from revenue recognition can be rebutted as there is deemed to be little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are deemed to be limited.

As part of our work on material transactions and balances, we have agreed revenue balances to assurance letters provided confirming the balances at NHS and Council level as well as an assessment of the income recognition accounting policies and relevant disclosures.

Our results

Our work has not identified any issues to raise in relation to revenue recognition.

Risk of fraud in expenditure

As set out in practice note 10 (Revised 2022) 'The Audit of Public sector Financial Statements', issued by the Public Audit Forum, which applies to all public sector entities, we consider there to be an inherent risk of fraud in expenditure recognition.

(rebutted)

Having considered the risk factors set out in PN10 and the nature of the expenditure streams at Aberdeenshire IJB, we have determined that the risk of fraud arising from expenditure recognition can be rebutted as opportunities to manipulate expenditure recognition are deemed to be limited.

As part of our work on expenditure, we we have agreed revenue balances to assurance letters provided confirming the balances at NHS and Council level. We have also reviewed expenditure recognition accounting policies and relevant disclosures.

Our results

Our work has not identified any issues to raise in relation to expenditure recognition.

Financial Statements – key judgements and estimates (1)

As required in the IJB’s Accounting Policies note, officers outline critical judgements in applying accounting policies and in addition, assumptions about the future and other sources of estimation uncertainty. In particular, where estimates and judgements are identified, these should be quantified.

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management’s approach	Audit Comments	Assessment
None	The note within the IJB accounting policies (Note 3 Critical Judgements and Estimation Uncertainty) confirms there are no judgements or estimates within the IJB accounts.	We have confirmed there are no significant estimate or judgements within the IJB annual reports and accounts.	Not Applicable

Other key elements of the financial statements (1)

As part of our audit, there were other key areas of focus during the course of our audit. Whilst not considered a significant risk, these are areas of focus either in accordance with the Audit Scotland Code of Audit Practice or ISAs or due to their complexity or importance to the user of the accounts:

Issue	Commentary
Matters in relation to fraud and irregularity	It is the IJB's responsibility to establish arrangements to prevent and detect fraud and other irregularity. As auditors, we obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We obtain annual representation from officers and those charged with governance regarding the IJB's assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement. We have also made inquiries of internal audit around internal control, fraud risk and any known or suspected frauds in year. We have not been made aware of any incidents in the period and no issues in relation to these areas have been identified during the course of our audit procedures that are outside of the usual expected investigations.
Accounting practices	We have evaluated the appropriateness of Aberdeenshire IJB's accounting policies, accounting estimates and financial statement disclosures. We have identified disclosure adjustments required to the financial statements which have been detailed in Appendix 1 .
Matters in relation to related parties	We are not aware of any other related parties or related party transactions which have not been disclosed. The only related parties are Aberdeenshire Council and NHS Grampian.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. We have not identified any cases of money laundering or fraud at the IJB.
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Minor amendments have been made to the Annual Report and we are satisfied that there are no material inconsistencies to report. As these are minor, they do not warrant separate reporting.</p>

Other key elements of the financial statements (2)

Issue	Commentary
Governance statement	We are required to report on whether the information given in the Annual Governance Statement is consistent with the financial statements and prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016). No inconsistencies have been identified; we plan to issue an unmodified opinion in this respect. Minor improvements can be made to the Statement, and these have been noted within Appendix 1 .
Matters on which we 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 or there has been a failure to achieve a prescribed financial objective. We have nothing to report in respect of these matters.
Written representations	A letter of representation has been requested from the Integration Joint Board as required by auditing standards. This can be found as a separate item to this report. We have not requested any specific representations in this letter.
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2022). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Integration Joint Board meets this criteria, and so we have applied the continued provision of service approach.</p> <p>In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered management’s (senior officer’s) assessment of the appropriateness of the going concern basis of accounting and conclude that:</p> <ul style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management’s (senior officer’s) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other findings – Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Oracle–Aberdeenshire Council’s general ledger	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	All significant risk areas

Assessment

- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for testing

**Wider scope and best value
conclusions**

Wider scope audit (1)

This section of our report sets out our conclusions from our audit work on the wider scope audit dimensions. We take a risk-based audit approach to wider scope. Within our audit plan we identified two wider scope risks in relation to financial sustainability and governance arrangements.

As part of our ongoing audit planning audit work during the year, we have not identified any additional wider scope audit risks.

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
<p>Financial Management</p> <p>Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>No significant risks identified.</p>	<p>IJBs' Financial Management Arrangements</p> <p>The IJB's financial performance is reported to the Board as an integral part of the budget monitoring process. It compares assumptions that were used to develop the budget to actuals during the year. Where assumptions are determined unrealistic or changes significant from budget, this is captured, and actions will be identified to resolve any adverse variances.</p> <p>Members are provided with the opportunity to review, challenge and scrutinise the financial performance. The finance team have access to real time information through the finance ledger systems within Aberdeenshire Council and NHS Grampian to provide accurate financial monitoring reports.</p> <p>Aberdeenshire IJB will commission services from Aberdeenshire Council and NHS Grampian. The IJB have a Governance Handbook with the contents including the Standing Orders, Scheme of Delegation and Financial Regulations however, the partner organisations financial documents will also be followed.</p> <p>Finance Team</p> <p>Individuals involved in the preparation and reporting of financial information are qualified and experienced and held finance positions at the organisation for a number of years. Given the nature of the IJB and how it operates, the finance team is relatively small, and if staff shortages or sickness arise, the organisation could face capacity issues.</p>	<p>Our review of financial monitoring reports during the year did not identify any significant issues.</p> <p>We have not identified any issues regarding the skills and capability of finance staff within the organisation.</p>

Wider scope audit (2)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Financial management (continued)		<p>Financial Performance</p> <p>The 2022/23 Revenue Budget Report was presented to Aberdeenshire IJB Board on 30 March 2022. The budget was set at £374.225 million, with set aside budget of £31.297 million. There were new pressures in year (including workforce and pay uplifts, winter recruitment, social care uplifts and out of area packages) of £22.1 million which exceeded new funding being made available to the IJB by £3.2 million. This meant that the IJB needed to achieve savings of £3.2 million in 2022/23 to achieve financial balance.</p> <p>During the year, due to the revisions to the budget, the revised 2022/23 budget was £389.110 million. However, the actual financial outturn for 2022/23 was £395.511 million meaning there was a £6.4 million overspend, which equated to 1.65% of the budget. This could be broken down as:</p> <ul style="list-style-type: none"> • health budgets overspend of £4.8 million • social care budgets overspend of £2.1 million • funds overspend of £0.5 million <p>This overspend was funded through the general fund reserve balance which meant that a balanced budget for the IJB was achieved in 2022/23.</p> <p>All revisions to the budget were clearly stated in the finance monitoring reports.</p>	<p>Overall, we are satisfied that the IJB have appropriate financial management arrangements in place. The IJB has achieved a balanced budget for 2022/23.</p> <p>We have not identified a significant risk in relation to the financial management area.</p>

Wider scope audit (3)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
<p>Financial Sustainability</p> <p>Financial sustainability looks forward to the medium to longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered</p>	<p>Significant risk identified in relation to future financial plans for 2023/24 and beyond</p>	<p>Budgeting</p> <p>Aberdeenshire IJB has two main sources of funding which is received from Aberdeenshire Council and NHS Grampian. In recent years, additional investment for health and social care has been provided by the Scottish Government and this is passported through either the local authority or the health board however, this is not constant and cannot be relied upon.</p> <p>Aberdeenshire IJB undertakes an annual budget process which forms part of the wider medium term strategy process. This includes discussions taking place between management, Aberdeenshire Council and NHS Grampian regarding funding requirements.</p> <p>The Aberdeenshire Integration Joint Board Revenue Budget for 2023/24 is £393.5 million which includes £32.3 million set aside services which represents Aberdeenshire’s share of the Large Hospital Services. The total funding provided totals £390.4 million, providing a budget deficit of £3.050 million being forecast, with a balanced budget being presented through the use of general reserves. This represents less than 0.8% of the IJB’s overall budget.</p> <p>As at 31 March 2023, the revised 2023/24 budget was £412.236 million, with a forecast year-end position of £427.282 million resulting in a revised out of balance position for 2023/24, with savings applied of £15.048 million. In considering the planned use of reserves of £3.050 million, the revised out of balance position is £11.998 million.</p> <p>Medium Term Financial Strategy</p> <p>Aberdeenshire IJB approved the 2023/24 revenue budget in March 2023 as part of agreeing the wider Medium Term Financial Strategy (MTFS). The MTFS spans a five-year period to 2028/29 however, is reviewed on an annual basis as part of the budget setting process.</p>	<p>We have not identified any issues regarding the budgeting arrangements in place at Aberdeenshire IJB. We consider these arrangements to be effective and appropriate.</p>

Wider scope audit (4)

Wider scope dimension Plan risk

Wider scope audit response and findings

Conclusion

Financial sustainability (continued)

Medium Term Financial Strategy (continued)

Aberdeenshire Council referenced in their approved 2023/24 budget, that there are risks associated with the Health and Social Care Partnerships due to inflationary pressures and changes to demand and demographics. Funding of £3.991 million has been allocated within the Council's reserves to be available if these risks materialise resulting in additional funding being requested from the Council.

The budget setting for 2023/24 includes planned savings, efficiencies and use of reserves totalling £7.8 million and given the level of savings required, these will be challenging to deliver:

	Savings Required £'000
Savings	500
Vacancy Management	1,200
Efficiency Options	3,000
Use of Reserves	3,100
Total Savings Required	7,800

The funding gap rises to over £40.4 million by 2028/29 over the next five years if funding levels and demand for services continue on current trends. This equates to an annual requirement of the need to identify circa £8.0 million of new cash releasing savings each year over the next five years, equivalent to 2% of the total IJB budget. The financial pressures for 2024/25 and beyond are significant, with a £10.2 million funding gap forecast in 2024/25.

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Total Estimated Expenditure	406,955	420,671	435,661	448,931	463,487
Total Funding	393,755	403,166	409,690	416,329	423,085
Financial Challenge	(10,200)	(17,505)	(24,971)	(32,502)	(40,402)

Reducing the underlying overspend in future years will be challenging and use of reserves is being relied on however, this does not address the fundamental challenge Aberdeenshire IJB has in delivering future balanced budgets.

To achieve financial sustainability and reduce reliance on useable reserves to bridge funding gaps, the IJB will need to identify and deliver significant savings and transformation to reduce funding gaps and continue to deliver key services and IJB priorities. There is a risk that where savings and transformation plans are not delivered, in the short to medium term this could provide financial sustainability challenges for the IJB.

Wider scope audit (5)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion																				
Financial sustainability (continued)		<p>Every year, the IJB will face cost pressures as a result of a range of factors including demand, inflation and changes in legislation. Costs such as pay uplifts, rising inflation, cost of living crises and supply chain pressures are embedded within the MTFs however, given the economic uncertainty of these factors, this could result in a growth of the cumulative funding gap.</p> <p>Reserves</p> <p>Reserves are a key performance indicator of monitoring the financial health of a body. At 31 March 2023, the IJB's general reserve balance was £3.298 million and £13.631 million of reserves which were fully earmarked. During 2022/23, the IJB utilised £34.724 million of reserves. The table below outlines the movement in reserves during 2022/23:</p> <table border="1"> <thead> <tr> <th></th> <th>General Reserves</th> <th>Earmarked Reserves</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>As at 31 March 2022</td> <td>7,908</td> <td>36,954</td> <td>44,862</td> </tr> <tr> <td>Transferred In</td> <td>3,786</td> <td>3,005</td> <td>6,791</td> </tr> <tr> <td>Transferred Out</td> <td>(8,396)</td> <td>(26,328)</td> <td>(34,724)</td> </tr> <tr> <td>Balance at 31 March 2023</td> <td>3,298</td> <td>13,631</td> <td>16,929</td> </tr> </tbody> </table> <p>A large proportion of the use of reserves (£14.731 million) was in relation to the cessation of Covid 19 expenditure, with the Scottish Government clawing back the funding on the earmarked reserve. This was not specific to Aberdeenshire IJB and was done across the entirety of Scotland.</p> <p>The continued reliance on reserves is not sustainable and although it helps achieve a balanced budget in 2023/24, the IJB will not have sufficient available earmarked reserves to draw upon in order to meet the 2024/25 funding gap. This emphasises the importance of delivering on saving plans and any overspends that arise will need to be funded by the relevant partner organisation.</p>		General Reserves	Earmarked Reserves	Total	As at 31 March 2022	7,908	36,954	44,862	Transferred In	3,786	3,005	6,791	Transferred Out	(8,396)	(26,328)	(34,724)	Balance at 31 March 2023	3,298	13,631	16,929	<p>The level of reserves is at an unsustainable level which emphasises the need for saving and transformation plans to be implemented and achieved. Any overspends will require additional funding to be agreed and provided by the partner organisations.</p> <p>An action plan recommendation has been raised in Appendix 3 around future financial plans.</p>
	General Reserves	Earmarked Reserves	Total																				
As at 31 March 2022	7,908	36,954	44,862																				
Transferred In	3,786	3,005	6,791																				
Transferred Out	(8,396)	(26,328)	(34,724)																				
Balance at 31 March 2023	3,298	13,631	16,929																				

Wider scope audit (6)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Financial sustainability (continued)		<p>Reserves (continued)</p> <p>The IJB has budgeted to utilise £3.050 million of general earmarked reserves in 2023/24 to achieve a balanced budget. The earmarked reserves include £3.050 million earmarked to assist with the implementation of the Medium Term Financial Plan. In addition, in order to bridge the out of balance position currently being forecast for 2023/24, the use of reserves would result in the reserves balancing reducing to zero. The use of reserves to balance the budget should not be relied upon, as this is finite and not a way to create financial sustainability for the IJB and the IJB will need to prioritise and focus on transformation to ensure that reserves are used for their intended purpose and not to meet budget gaps.</p> <p>Transformation Plans</p> <p>The increase in the cumulative funding gap position in the next five years is significant and outlines serious concerns over the future financial sustainability of the IJB where additional funding is not provided or where the IJB does not operate within its funding allocation. This creates a risk, as Aberdeenshire IJB will have to balance ensuring that it maintains financial sustainability with ensuring that it continues its service delivery to meet its priorities.</p> <p>To reduce the current funding gap, a major transformation programme will need to be undertaken. The IJB has recognised the fact that it will require transformational redesign to reduce future funding gaps and reshape the organisation to ensure efficient service delivery and notes that services will have to be transformed and recalibrated to meet demographic, workforce and infrastructure factors, resulting in significant changes for the IJB, its partners and the population of Aberdeenshire. The IJB have noted that these changes, will require working together to focus on limited resources on offering services which are sustainable over the longer term and are targeted at those with the greatest need.</p> <p>Substantial transformation is required to bring about financial sustainability. The size and scale of transformation required to deliver the savings and efficiencies required to close the projected funding gap is unprecedented. It is important that IJB members have oversight of the transformation programme to ensure the savings and efficiencies required to reduce future funding gaps can be delivered.</p>	<p>To ensure financial sustainability for the medium to longer term, the IJB will need to ensure that it is able to deliver increased income and efficiency initiatives to reduce costs and deliver financial benefits. The IJB will need to upscale the pace and delivery of transformation to achieve and mitigate the risk of becoming financially unsustainable.</p> <p>An action plan recommendation has been raised in Appendix 3 around future financial plans.</p>

Wider scope audit (7)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
<p>Vision, Leadership and Governance</p>	<p>No significant risks identified</p>	<p>Leadership and Committee Effectiveness</p> <p>Aberdeenshire IJB hold a committee-based structure which has delegated functions to several committees who subsequently become responsible for the administration of services. There are currently three different committees, namely the Board, the Audit Committee and the Clinical and Adult Social Work Governance Committee.</p> <p>The Audit Committee undertakes the role of Those Charged with Governance (TCWG) and looks to consider reports and obtain assurance through internal and external audit reports concerning the IJB’s functions. The Committee also obtains assurance over performance monitoring and receive reports on the performance of and trends within the IJB’s services in terms of service standards and performance information.</p> <p>Monitoring of action plan progress and service performance in key areas is reported to ensure a process of continuous improvement. However, self-evaluation is something that could be improved upon at the IJB and there are various frameworks and tools such as the Public Service Improvement Framework (PSIF). This allows IJBs with the opportunity to evaluate on strengths and weaknesses and draw any themes arising from results of self evaluations. This allows the implementation of any necessary action plans to support continuous improvement in priority areas and ensure it is demonstrating compliance against the CIPFA Code of Principles for Delivering Good Governance (revised 2016). The process of implementing a self-evaluation in Committees such as the Audit Committee and full Board may help to identify strengths and weaknesses that can be improved through an implementation plan.</p> <p>Governance Statement</p> <p>The Governance Statement details the composition and governance structure of Aberdeenshire IJB and how that supports the achievement of the organisation’s priority themes. From review of the Statement, we are satisfied that it reflects the key findings from audit, scrutiny and inspection.</p>	<p>Our review of attendance of members at Committee meetings has not flagged any issues. We are satisfied that the governance arrangements are appropriate and operate effectively.</p> <p>We conclude that the Audit Committee effectively challenge and scrutinise reports presented and ensure effective decision making, but note the last meeting was on 5 July 2023 which is over 4 months ago.</p> <p>Aberdeenshire IJB publishes minutes of each Committee online, to ensure transparency of decision making.</p> <p>We recommend that Aberdeenshire IJB look to implement an annual self evaluation and consider the results of this evaluation on an annual basis to identify strengths as well as areas for improvement in order to support continuous improvement and plan for succession. An action plan recommendation has been raised in Appendix 4.</p>

Wider scope audit (8)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Vision, Leadership and Governance (continued)		<p>Risk Management</p> <p>The organisation maintains a strategic risk register which sets out the inherent risks being faced by Aberdeenshire IJB, together with a current assessment on the level of the risks and mitigating actions being taken to reduce the impact of the risks. This report is presented to the Audit Committee for their oversight and comment.</p> <p>Any changes made to the risk register since it was last presented to the Committee are easily identifiable and are highlighted to members. Risk scores are weighted, based on assessment according to their likelihood and corresponding impact. There are currently forty-nine risks identified on the risk register, which covers risks across numerous areas such as sufficiency and availability of resource, health and social care policy alignment and workforce capacity. Of the forty-nine identified, there is currently eighteen rated as high risk and work is ongoing to reduce to an acceptable level.</p> <p>Internal controls</p> <p>The IJB has in place a range of policies and procedures designed to ensure compliance with laws and regulations, including for example financial regulations and standing orders contained within the Governance Handbook. There were last updated in June 2022.</p> <p>Aberdeenshire IJB does not have its own separate code of conduct, whistleblowing or fraud policies and follows those set out by the partner organisations.</p>	<p>We are satisfied that the key risks have been identified and that the pace of improvement is appropriate to the risks and challenges facing Aberdeenshire IJB.</p> <p>The IJB has in place a wide range of policies and procedures designed to ensure compliance with laws and regulations, including for example financial regulations and standing orders. Our review of these policies have found the policies to be comprehensive, current and promoted within the organisation.</p>

Wider scope audit (9)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Vision, Leadership and Governance (continued)		<p>Internal audit activity is undertaken by the Chief Internal Auditor of Aberdeenshire Council. Internal audit undertook several reviews during the financial year including ADP and IJB governance arrangements, adults with incapacity, day care establishments and criminal justice. Of the five reviews reported to the 5 July Audit Committee, three were rated as major and two as moderate. This resulted in an overall assurance opinion for the 2022/23 financial year of limited assurance. The internal audit opinion notes that “it is my opinion that I can only provide limited assurance that the Aberdeenshire Integration Joint Board had adequate systems of governance, risk management and internal control, covering the period 1 April 2022 to 31 March 2023”. Fundamentally, there are weaknesses in the framework of governance, risk management and control and there is a risk it could become inadequate and ineffective.</p> <p>The Audit Committee received update reports from internal audit on a regular basis which outlined the work undertaken in the period since the prior Committee. These were provided alongside any outcomes of follow up audits and the results of any new audits undertaken. This provides Audit Committee members the opportunity to gain assurance that internal controls are operating as expected.</p> <p>From our review of internal audit reports and Audit Committee minutes, we have not identified any evidence of significant gaps in the assurance obtained by the Audit Committee in relation to the work programme undertaken.</p> <p>We noted that a number of the recommendations across various audits are still to be implemented, requiring revised dates of implementation to be agreed within the IJB and there is a risk should these not be actioned on a timely basis by management within the IJB. As at July 2023, there were sixteen outstanding audit recommendations of which all were past their due dates and four were past their revised due dates (three moderate and one minor rated).</p>	<p>The IJB have an effective internal audit function in place to assist with assurance over governance framework, risk and internal controls.</p> <p>We noted that audit recommendations are not implemented timely and dates of implementation are regularly changed. We have raised an action plan recommendation in Appendix 3.</p>

Wider scope audit (10)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Vision, Leadership and Governance (continued)		<p>It is of vital importance to Aberdeenshire IJB that audit recommendations and specifically major rated recommendations are actioned on a timely basis to ensure the risks outlined within each audit recommendation do not come into fruition resulting in operational and reputational damage. There are several major recommendations whereby the implementation date keeps being updated for example, from the Aberdeenshire Alcohol and Drugs Partnership review, there were four major recommendations, of which all four had an original due date of March 2023, which was subsequently revised to September 2023.</p> <p>From review of Audit Committee papers, internal audit reporting is heavily based on activities within Aberdeenshire Council however, NHS Grampian's internal auditors prepare reports that are also relevant to Aberdeenshire IJB. At present, there are existing links with NHS Grampian internal audit function however, Aberdeenshire IJB should look to strengthen the reporting of NHS Grampian's internal audit results within the IJB where relevant to provide oversight to members and to provide a complete picture of both organisations.</p>	<p>To ensure oversight of NHS Grampian internal audit reports, reporting to the Audit Committee needs to be strengthened.</p> <p>An action plan recommendation has been raised in Appendix 3.</p>

Wider scope audit (11)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
<p>Use of Resources</p> <p>Bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness with financial and other resources and reporting performance against outcomes.</p>	<p>No significant risks identified.</p>	<p>Strategic Plan and Performance Reporting</p> <p>The vision of the Strategic Plan is clearly set out as “building on a person’s abilities, we will deliver high quality person-centred care to enhance their independence and wellbeing in their own communities” and the strategic priorities are centered around five key headings; prevention and early intervention, reshaping care, engagement, tackling inequalities and public protection and effective use of resources.</p> <p>A performance report is published annually which outlines the IJB’s annual performance against the strategic priorities of the Health and Social Care Partnership and evidencing some of the key achievements and challenges faced by the IJB. Additionally, performance in relation to the key strategic performance indicators is reviewed alongside the IJB’s performance in relation to the Scottish Government’s core suite of national integration indicators which allows comparisons to be made over time and against Scotland as a whole.</p> <p>Our review of the most recent 2022/23 annual performance report highlights that out of the twenty-three indicators, fourteen were showing as green (current position is the same or better than Scotland), three indicators were showing as amber (performing is worse than Scotland but within 5%) and two were showing as red (performance is worse than Scotland by 5%).</p>	<p>Aberdeenshire faces the challenge of an increasing older population with a decline in working age population, staff recruitment challenges and lack of available affordable accommodation against a backdrop of significant financial challenge. Adult social care is widely publicised as being under pressure in all local government authorities, so this issue is not specific to Aberdeenshire IJB. The IJB will need to ensure that it is able to continue to deliver safe and effective adult services considering the challenging financial background faced alongside a growing aging demographic. This will require wider transformation of the IJB which is outlined within the Financial Sustainability section of this report.</p> <p>We have obtained assurance that appropriate performance monitoring and reporting arrangements are in place at the IJB, and where indicators are worsening, the IJB then agree upon actions that need to be taken to improve performance.</p>

Wider scope audit (12)

Wider scope dimension	Plan risk	Wider scope audit response and findings	Conclusion
Use of Resources (continued)		<p>There were four indicators that data is not available for reporting. The red indicators related to:</p> <ul style="list-style-type: none"> percentage of people with positive experience of the care provided by their GP practice (Aberdeenshire IJB 58%, Scotland 67%) percentage of adults supported at home who agreed they felt safe (Aberdeenshire IJB 75%, Scotland 80%) <p>Stakeholder Engagement</p> <p>Aberdeenshire Health & Social Care Partnership is committed to ensuring the people of Aberdeenshire are at the heart of the services being delivered so individuals get the right care and support whatever their needs, at the right time and in the right setting at any point in their care journey. To do this, Aberdeenshire IJB engages with the people who are supported by its services, their unpaid carers, those who deliver the service and those who may have an interest, in order to inform how they can be improved.</p> <p>Engage Aberdeenshire is the Health & Social Care Partnership's community engagement and participation hub where information can be found on engagement activities, including the latest updates and ways in which the public can actively participate. This hub is for everyone across Aberdeenshire, including people who access health and social care services, unpaid carers, staff, local communities and partners. The purpose of the hub is to provide opportunities for people to influence decision-making and delivery of services, through collaboration and co-design.</p>	<p>We have noted good practice in relation to the community stakeholder engagement whereby the IJB ensure stakeholders are engaged in helping form new strategies, which has helped drive IJB priorities for the future.</p> <p>We have not identified a significant risk in relation to the use of resources to improve outcomes area.</p>

Wider scope audit (13)

	Plan risk	Conclusion
Other wider scope areas	We did not identify any specific risks in relation to climate change at Aberdeenshire Integration Joint Board.	<p>Climate Change</p> <p>We have considered six specified questions related to climate change, as mandated by Audit Scotland. We are also required to submit a questionnaire to Audit Scotland responding to the questions by the reporting deadline. We have not identified any significant risks in respect to climate change. Aberdeenshire IJB does not have its own separate climate change arrangements but rather follows those set out by the partner organisations.</p> <p>The IJB has considered the impact of climate change on its financial statements and have concluded that it is unlikely to have a material impact.</p> <p>We are satisfied that there is no significant risk in relation to climate change.</p>
		<p>Cyber Security</p> <p>We have considered risks related to cyber security during our audit of Aberdeenshire Integration Joint Board's financial statements in line with the guidance issued by Audit Scotland's Digital Audit team. We have not identified any significant issues in relation to cyber security or the arrangements in place in relation to cyber security . Note that our judgement is based on our IT general work performed on the arrangements in place, but this this does not involve detailed testing of system penetration controls.</p> <p>We are satisfied that there is no significant risk in relation to cyber security.</p>

Best Value

Best Value audit response and findings

Best Value work under the new Code of Audit Practice is fully integrated within the annual audit work performed by appointed auditors and their teams. As part of our integrated wider-scope annual audit work, we as appointed auditors use a risk-based approach to assess and report whether the company has made proper arrangements for securing Best Value and how the body demonstrates that it is meeting Best Value responsibilities.

As part of our wider scope work, we have raised an audit recommendation in relation to the follow up of audit reports and recommendations however, a reporting mechanism should also be introduced to Audit Committee to ensure external audit recommendations are implemented and monitored for completion. **An action plan recommendation has been raised in Appendix 3.**

Although the new Code suggested that Controller reports would be required for IJBs, this is no longer applicable in light of the anticipated plans for the National Care Service. At a national level, there is a proposal to reform the social care system in Scotland (the National Care Service). As part of the proposal, the Scottish Government has outlined plans to create a new national body responsible for overseeing the delivery of social care services. This body would work closely with IJBs to ensure that services are delivered in a co-ordinated and efficient manner. Further details of how IJBs will fit into the proposed system has not yet been fully communicated however, will impact Aberdeenshire IJB in future years.

Appendices

1. Audit Adjustments (1)

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

During the course of the audit, there were no adjusted non-trivial misstatements which were made that require reporting within our Annual Audit Report.

Impact of unadjusted misstatements

During the course of the audit, there were no unadjusted non-trivial misstatements which were made that require reporting within our Annual Audit Report.

Impact of unadjusted misstatements in the prior year

There were no issues identified in the prior year.

1. Audit Adjustments (2)

Misclassification and disclosure changes

The table below provides details of substantive misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. This is not a complete list, as this does not include minor changes requested by the audit team including typos and formatting requests.

This list of misclassification and disclosure changes reflects presentational adjustments to the financial statements which have no impact on the IJB's reported financial position.

Disclosure	Comments	Adjusted?
Review of Annual Report and Accounts (General)	We identified some minor formatting issues as part of our review of the Annual Report and Accounts. These were raised and processed by management where necessary and do not warrant separate reporting.	Yes
Management commentary	Additional disclosure was added to note the impact on reserves of future projections.	Yes
Annual Governance Statement	Minor improvements were made to the Annual Governance Statement to include more disclosure about the Internal Audit reports issued during the year.	Yes
Note 2 - Accounting standards not yet adopted	Disclosure was added for all future accounting standards relevant to 2023/24.	Yes
Note 5 – Taxation and non-specific grant income	A transposition error was noted in the 2021/22 comparator as the NHS Grampian figure was initially recorded as £270.672 million when it should have been £270.262 million. The total was correct in the note and the comprehensive income and expenditure was correct.	Yes
Note 9 – Related Party Transactions	The debtors' balances with related parties (Aberdeenshire Council and NHS Grampian) were added into this disclosure note.	Yes
Note 11 – Events after the Reporting Period	This note was updated as expected to bring it up to date to the signing of the financial statements.	Yes
Note 12 - Audit fees	A separate disclosure was added for audit fees and to note there are no non audit services provided.	Yes

2. Action plan and recommendations – Financial statements audit (1)

We have identified two recommendations for Aberdeenshire IJB during our audit of the financial statements for the year ended 31 March 2023. We have agreed our recommendations with management and will report on progress on these recommendations during our 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	<p>1. Consolidation working papers</p> <p>Working papers to evidence the consolidation of the Council and Health figures to arrive at the IJB draft financial statements are required. Although there are Council and Health separate working papers, additional work is required to understand and work through how these become the values within the draft financial statements.</p> <p>This issue was also noted by the previous auditor.</p> <p>The risk of error is higher, additional audit resource is required, and previous recommendations by auditors are not being implemented.</p>	<p>Ensure that working papers for final accounts are available at the IJB level to evidence the transactions within the financial statements.</p> <p>Management response</p> <p>As part of the planning process for the 2023/24 audit this matter has been discussed with Council and Health financial management colleagues to ensure the consolidation of the separate working papers into an IJB working paper to provide an audit trail to the IJB draft financial statements. The content of the new consolidated working paper will be agreed with external audit to ensure it meets the requirements of the recommendation.</p> <p>Officer: Chris Smith</p> <p>Date for implementation: 29 February 2024</p>

Controls

High – Significant effect on financial statements

Medium – Limited effect on financial statements

Low – Best practice

2. Action plan and recommendations – Financial statements audit (2)

Assessment	Issue and risk	Recommendations
Medium	<p>2. Timeliness of response and interim audit</p> <p>Additional audit resource was required due to the postponement of planning, and the number of months it took to complete the planning audit. Additional meetings and audit work was required, and the work was completed over several months as a result. Responses to working paper requests and queries were not timely, and an Audit Plan was not able to be produced until May 2023, which was outside of planned Audit Scotland target deadlines.</p> <p>The risk is that reporting risks in the Audit Plan is not timely. In addition, delays in audit planning has an impact on audit scheduling.</p>	<p>The planning and interim audit should be completed before March as planned, with the IJB meeting those deadlines with timely responses to audit requests.</p> <p>Management response</p> <p>The IJB will ensure that the planning and interim audit will be able to be completed by agreed timeline, with a deadline of 26 February 2024 in place with agreement to provide requested information to external audit through use of Inflo online system. Our partners are also aware of the timelines and at planning meetings we have requested that data required specifically for the IJB is provided to ensure deadline is met</p> <p>Responsible Officer: Chris Smith Implementation date: 29 February 2024</p>

3. Action plan and recommendations – Wider scope and Best Value (1)

We have set out below, based on our audit work undertaken in 2022/23, the key recommendations arising from our wider scope and Best Value audit work. We have identified three recommendations.

Recommendation

Agreed management response/Officer/Date

1. Financial Sustainability – Future Financial Plans

The IJB has not yet identified the savings and efficiencies required in order to eliminate the large funding gap predicted for 2024/25 and beyond. There is a risk without detailed transformation plans, there will be continued reliance on reserves to bridge funding gaps which will create financial sustainability issues for the IJB.

Recommendation: A depth of pace will need to be undertaken on the transformation programme to ensure the IJB can bridge the significant funding gap in a short space of time, to ensure that not only efficiencies can be delivered but that financial sustainability can be achieved. To ensure financial sustainability for the medium to longer term, the IJB will need to ensure that it is able to deliver increased productivity and efficiency initiatives to reduce costs and deliver financial benefits. The IJB will need to upscale the pace and delivery of transformation to achieve and mitigate the risk of becoming financially unsustainable. Once plans are in place, the IJB will need to continue to monitor the percentage level of adequate reserves as funding gaps continue to grow to ensure reserves do not dip to an unsustainable level.

Management response:

The budget setting process for 2024/25 was initiated at an early stage in 2023 with regular budget development sessions taking place with IJB, senior management team and senior colleagues from our partner organisations. A balanced budget for 2024/25 will be presented to the IJB in March 2024. The balanced budget will be premised on funding from partner organisations, savings plans relating to service review, an upscaled transformation programme in conjunction with our partners and a number of efficiencies programmes. To ensure the continued sustainability detailed financial monitoring will continue throughout 2024/25 to ensure all elements approved to set a balanced budget are being achieved. There is also the added impact of having no usable reserves, as was the case pre Covid, to assist in balancing the budget. We will continue to work closely with partners to ensure assistance with efficiencies, transformation and cost reductions plans, appreciative of materiality, pace of change and mitigating any impact on the deliverability of services.

Responsible Officer: Pamela Miliken

Implementation Date: 20 March 2024 for budget setting and ongoing review throughout financial year 2024/25

3. Action plan and recommendations – Wider scope and Best Value (2)

Recommendation

2. Vision, Leadership and Governance – Self-Evaluation

Aberdeenshire IJB do not complete annual self-evaluation of the Board or Audit Committee. There is a risk that the IJB is unable to identify strengths as well as areas for improvement and demonstrate how it delivers Best Value.

Recommendation

Aberdeenshire IJB should look to implement an annual self evaluation for the relevant Committees and consider the results of this evaluation on an annual basis in order to support continuous improvement and plan for succession

Agreed management response/Officer/Date

Management response:

An annual self-evaluation review has been implemented for the IJB and the IJB Audit Committee with results to be reported to the relevant committees with a plan to assist continuous improvement and succession planning.

Responsible Officer: Pamela Miliken

Implementation Date: Implemented. Ongoing on an annual basis

3. Vision, Leadership and Governance –Audit Recommendations

There is a risk that audit recommendations are not monitored, implemented timely and with dates of implementation regularly changed, the risks outlined within each audit recommendation come into fruition resulting in organisation and reputational damage.

Recommendation

Aberdeenshire IJB should ensure that both internal and external audit recommendations are properly monitored for implementation and audit recommendation dates are realistic when set. Where dates are moved or not met, a thorough understanding and follow up of these should be sought and explanations provided. A mechanism should be implemented to follow up on officers should missing recommendation deadlines becomes regular.

Management response:

We continue to monitor internal and external audit recommendations and ensure that implementation dates set are realistic. Where dates not met or extended we provide follow up regarding reasons. The recently implemented Internal Audit tracker system will ensure regular follow up on all recommendations. We also have the IJB Risk and Assurance group, which reports to the IJB Audit Committee. This group will review the Internal Audit process, with assistance of governance colleagues, from planning stage, to scope of audit, to agreement of recommendations and through to implementation. We will continue to work closely with internal and external audit to ensure recommendations are signed off as completed appropriately.

Responsible Officer: Pamela Miliken

Implementation Date: Process implemented with ongoing review throughout financial year 2024/25

4. Progress against prior year recommendations (1)

Progress against prior year audit recommendations

The predecessor auditor identified the following issues in their 2021/22 audit of Aberdeenshire IJB's financial statements and their wider scope work. This resulted in four recommendations being reported in their 2021/22 Annual Audit Report.

See below the follow up on the implementation of these prior year recommendations and an assessment of the progress and whether any are not yet implemented.

For the four recommendations made by the predecessor auditor, three have been actioned within the year and have been closed. The one remaining issue below noted on page 40 requires action.

Recommendation	Management Update	Auditor conclusion
<p>1. Issue: There was a delay in the preparation of reconciliations of income and expenditure between partners and the IJB. Following receipt of the reconciliations, it was difficult to follow the audit trail between NHS Grampian and the IJB. Although the nominated finance officers from partner bodies are in regular contact, actual transactions and balances are not regularly agreed.</p> <p>Risk: There are material differences in partners' annual accounts.</p> <p>Previous auditor recommendation: Finance officers from partner bodies should regularly meet and agree transactions and balances with the IJB to ensure consistency of understanding and accounting treatment</p>	<p>Finance officers from partner organisations meet on a regular basis to agree transactions and balances to ensure consistency of understanding and accounting treatment.</p>	<p>Outstanding.</p> <p>This issue has arisen again, and this action has not been implemented. We have recommended in Appendix 2 that consolidation working papers are required as additional audit resource is required to work through the Council and Health separate working papers to understand how they become the IJB transactions within the financial statements</p>

4. Progress against prior year recommendations (2)

Recommendation	Management Update	Auditor conclusion
<p>2. Issue: The management commentary that accompanies the financial statements should explain the results in simple terms and provide clarity to readers in order to help them understand how the IJB has performed, both in financial terms against budget and non-financial terms, against key service indicators where possible.</p> <p>Risk: The performance of the IJB may not be transparent, and the reader may not fully understand key messages.</p> <p>Previous auditor recommendation: The process for the preparation of the management commentary requires review to ensure the document complies with Scottish Government guidance and the Code of Practice on Local Authority Accounting.</p>	<p>This has been undertaken by the CFO and CO to improve on layout and content to improve clarity and simplification of results.</p>	<p>Complete.</p>
<p>3. Issue: The audit trail on this cost centre was clouded by the treatment of expenditure funded by reserves. Covid related expenditure of £5m was incurred but this was not initially posted to MBS costs, instead transfers from reserves were posted as expenditure and then reversed. Similarly, unspent funding was incorrectly posted as expenditure and then reversed.</p> <p>Risk: There are material misstatements in the annual accounts.</p> <p>Previous auditor recommendation: The accounting arrangements for funding need to be reviewed as do the accounting arrangements for expenditure funded by reserves. Working papers need to explain material movements on account balances when compared with the previous year.</p>	<p>Accounting arrangements and working papers in relation to MBS costs have been reviewed and working papers for 22/23 explained any material movements on account balances to previous years.</p>	<p>Complete.</p>

4. Progress against prior year recommendations (3)

Recommendation	Management Update	Auditor conclusion
<p>4. Issue: With the ongoing impact of Covid-19, performance reporting is still largely dependent on thematic reporting on projects contained in the Strategic Delivery Plan. Local performance information has not yet been developed.</p> <p>Risk: There is a risk that the board is not able to undertake effective scrutiny.</p> <p>Previous auditor recommendation: As recommended in our 2020/21 Annual Audit Report, performance information should be presented on a regular basis to ensure that the IJB members are aware of overall performance and able to hold partners to account.</p>	<p>More detailed and frequent performance information has been presented to the IJB throughout 2022/23.</p>	<p>Complete.</p>

5. Audit fees, ethics and independence (1)

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and Aberdeenshire IJB that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the entity or investments in the organisation held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the IJB as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and Aberdeenshire IJB.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place, note that there are no non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the organisation's board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

5. Audit fees, ethics and independence (2)

Fees and non-audit services

The tables below set out the total fees for audit and other services charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

For the purposes of our audit, we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Aberdeenshire IJB. The table summarises all non-audit services which were identified.

External Audit Fee

Service	Audit Plan £	Annual Audit Report £
External Auditor Remuneration	£33,370	£37,320
Contribution to Audit Scotland support costs	£1,270	£1,270
Contribution to Performance Audit and Best Value	£6,350	£6,350
Sectoral Cap Adjustment	(£9,520)	(£9,520)
2022/23 Audit Fee	£31,470	£35,420

Fees for other services

Service	Fees £
We confirm that for 2022/23, we did not receive any fees for non-audit services	Nil

We have sought £3,950 additional audit fee due to the delays and extra time required at the planning and interim audit stage as well as additional queries at final accounts. In addition, extra resource was required to work through the final accounts transactions to understand the consolidated position as working papers provided were from the Council and Health perspective only.

The initial audit fee was included in our Audit Plan which was approved by the Audit Committee on 5 July 2023.

5. Audit fees, ethics and independence (3)

The fees do not reconcile to the financial statements - we have provided a reconciliation below (fees rounded £'000 in the financial statements):

- Fees per financial statements (within Note 4)	£28
- Rebate within the financial statements	£3
Additional audit fees	£4
Total fees per page 44	£35

Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Mark Stocks, Partner and Head of Public Sector Assurance, 103 Colmore Row, Birmingham, B3 3AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to John Gilchrist, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2021 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2021)

6. Communication of audit matters

International Standard on Auditing ISA (UK) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance. These are set out in the table below.

Our communication plan	Audit Plan	Annual Report (our ISA 260 Report)
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Views about the qualitative aspects of the IJB's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issues arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter.		•

