

# Moray Integration Joint Board

**DRAFT 2021/22 Annual Audit Report**



 **AUDIT SCOTLAND**

Prepared for Moray Integration Joint Board and the Controller of Audit  
January 2023

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# Key messages

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## 2021/22 annual accounts

- 1 Our audit opinions on the annual accounts of the Moray Integration Joint Board are unmodified and there were no significant issues.

## Financial management and sustainability

- 2 The IJB reported an overall underspend of £10.7 million against a revised budget of £170.8 million.
- 3 Covid-19 funding of £11.7 million was received in 2021/22; £6.7 million was unspent at 31 March 2022 and is included in reserves
- 4 Medium term financial plans were updated during 2021/22. The IJB is projecting a budget deficit of £12.1 million over the period from 2023-27.

## Governance, Transparency and Best Value

- 5 The IJB has yet to develop processes to evaluate and measure Best Value
- 6 The IJB effectively monitors performance and indicators show mixed performance

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# Introduction

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1. This report summarises the findings arising from the 2021/22 audit of Moray Integration Joint Board (the IJB).
2. The scope of the audit was set out in our 2021/22 Annual Audit Plan which was presented to the Board on 26 May 2022.
3. This report comprises the findings from:
  - the audit of the Moray IJB's annual accounts
  - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#)
  - a review of the arrangements put in place by the IJB to secure Best Value.
4. The global coronavirus pandemic has had a considerable impact on the IJB during 2021/22. We did not identify any significant audit risks related to the pandemic for 2021/22.

## Adding value through the audit

5. We add value to the IJB, through the audit by:
  - identifying and providing insight on significant risks, and making clear and relevant recommendations
  - sharing intelligence and good practice through our national reports ([Appendix 2](#)) and good practice guides
  - providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

## Responsibilities and reporting

6. The IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The IJB is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.
7. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the

[Code of Audit Practice 2016](#) and supplementary guidance, and International Standards on Auditing in the UK.

**8.** As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

- the effectiveness of the IJB's performance management arrangements,
- the suitability and effectiveness of corporate governance arrangements,
- the financial position and arrangements for securing financial sustainability, and
- Best Value arrangements.

**9.** Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

**10.** This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

**11.** Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.

## Auditor Independence

**12.** Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

**13.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and the 2021/22 audit fee of £27,960 as set out in our 2021/22 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**14.** This report is addressed to both the IJB and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

## Audit appointment from 2022/23

**15.** The Accounts Commission is responsible for the appointment of external auditors to local government bodies. External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services Group or a private firm of accountants. The current appointment round was due to end in 2020/21

but this was extended for a year so that 2021/22 is the last year of the current appointment round.

**16.** The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23 Grant Thornton will be the appointed auditor for Moray Integration Joint Board. We are working closely with the new auditors to ensure a well-managed transition.

**17.** We would like to thank Board members, Audit, Performance and Risk Committee members, the Chief Officer and the Interim Chief Finance Officer for their co-operation and assistance over the last six years.

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# 1. Audit of 2021/22 annual accounts

The principal means of accounting for the stewardship of resources and performance

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## Main judgements

Our audit opinions on the annual accounts of the Moray Integration Joint Board are unmodified and there were no significant issues.

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### Our audit opinions on the annual accounts are unmodified

**18.** The IJB's annual accounts for the year ended 31 March 2022 were approved by the Integration Joint Board on 26 January 2023. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the Remuneration Report, Management Commentary and the Annual Governance Statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

### The annual accounts were submitted for audit by the statutory dates

**19.** The unaudited annual accounts were received in line with our agreed audit timetable on 30 June 2022.

**20.** The working papers provided with the unaudited accounts were of a good standard and finance staff provided support to the audit team during the audit.

### There were no objections raised to the annual accounts

**21.** The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. There were no objections to the 2021/22 annual accounts.

## Overall materiality is £1.4 million

**22.** We apply the concept of materiality in both 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. We identify a benchmark on which to base overall materiality, such as gross expenditure, and apply what we judge to be the most appropriate percentage level for calculating materiality values.

**23.** The determination of materiality is based on professional judgement and is informed by our understanding of the entity and what users are likely to be most concerned about in the annual accounts. In assessing performance materiality, we have considered factors such as our findings from previous audits, any changes in business processes and the entity's control environment including fraud risks.

**24.** Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. This was reviewed on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

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### Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£1.4 million
Performance materiality	£1.1 million
Reporting threshold	£75,000

Source: Audit Scotland

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## We have no significant findings to report on the audited annual accounts

**25.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. We have no issues to report from the audit.

## We have obtained assurance over the significant risks identified in our Annual Audit Plan

**26.** [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.



## Exhibit 2

### Significant risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Management override of controls</b></p> <p>As stated in International Standard on Auditing 240, management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise are operating effectively.</p>	<p>Agreement of balances and transactions to Moray Council and NHS Grampian financial reports / ledger / correspondence</p> <p>Service auditor assurances obtained from the external auditors of Moray Council and NHS Grampian over the completeness, accuracy and allocation of income and expenditure.</p> <p>Review of adjustments at year end.</p> <p>Review of financial monitoring reports during the year.</p>	<p><b>Results &amp; Significant Judgements:</b> We agreed the figures in the CIES, Balance Sheet and Movement in Reserves Statement to ledger information.</p> <p>We obtained the relevant assurances from the auditors of Moray Council and NHS Grampian.</p> <p>We undertook detailed testing of year-end adjustments.</p> <p>We reviewed financial monitoring reports that were prepared throughout the year.</p> <p><b>Conclusion:</b> We did not identify any incidents of management override of controls.</p>

### There were no identified misstatements in the audited annual accounts

**27.** It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. However, the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. There were no misstatements identified that exceeded our reporting threshold.

### The IJB has made limited progress in implementing our prior year audit recommendations.

**28.** Limited progress has been made in implementing our prior year audit recommendations with two out of three still outstanding. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

## 2. Financial management and sustainability

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

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

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### Main judgements

The IJB underspent by £10.7 million in 2021/22.

Covid-19 funding of £11.7 million was received in 2021/22; £6.7 million was unspent at 31 March 2022 and is included in reserves.

Medium -term financial plans have been developed and these have been updated to reflect the impact of Covid-19. The IJB has identified a cumulative budget deficit of £12.1 million over the period from 2023-27.

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### The 2021/22 budget included planned savings and contributions from reserves

**29.** The IJB approved its 2021/22 budget on 25 March 2021. The budget was set at net expenditure of £140.7 million with a funding gap of £1.5 million. Plans to address the gap included efficiency savings of £0.4 million and use of reserves of £1.1 million.

### The IJB underspent by £10.7 million in 2021/22 and received £11.7 million Covid-19 funding

**30.** The final 2021/22 budget was £170.8 million. The increase was due to additional non-recurring funding received from NHS Grampian during the year, with the most significant increase relating to £11.7 million of Covid-19 grants.

**31.** The IJB returned an underspend of £10.7 million against a budgeted breakeven position ([Exhibit 3](#)). The underspend was made up of an overspend of £2.5 million on core services and an underspend of £13.2 million on Strategic Fund schemes funded by the Scottish Government.

**Exhibit 3****Performance against budget**

IJB budget summary	Budget £m	Actual £m	Variance £m
Gross Core Expenditure	170.8	153.8	(17.0)
Total Income	(169.7)	(164.5)	5.2
In-year expenditure met from reserves	1.1	0.0	1.1
(Surplus)/Deficit in annual accounts	0.0	(10.7)	(10.7)

Source: MIJB 2021/22 budget monitoring reports and annual accounts

**Budget processes were appropriate**

**32.** Detailed budget monitoring reports were submitted to the IJB Board throughout the year. The outturn to date and projected year-end outturn position, alongside revisions to the budget were clearly stated in these reports while the actual year-end outturn position was in line with expectations.

**33.** The content of the budget monitoring reports was updated to reflect the financial impact of Covid-19 and an additional section was included in the outturn report that highlighted spend on the Local Mobilisation Plan developed in response to Covid-19. This ensured the IJB were aware of how Covid-19 impacted on the overall financial position and outturn.

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

**75% of savings were achieved but it is becoming increasingly challenging to identify further savings**

**35.** The IJB is required to make efficiency savings to maintain financial balance. The total savings target for 2021/22 was £0.4 million. The IJB achieved £0.3 million (75%) of planned savings. The Scottish Government provided additional Covid funding that covered the £0.1 million of savings not achieved.

**36.** The 2022/23 Revenue Budget Report was presented to the IJB on 31 March 2022. The budget was set at £155.2 million and includes £12.6 million Set Aside and £4.9 million to support commitments in relation to the Carers Act and ring-fenced investment to support increasing demand. There is excess

funding over planned expenditure of £0.2 million. The budget includes planned efficiencies of £0.1 million. The IJB considers this to be achievable but has acknowledged the challenges it faces in identifying further savings.

### **Total reserves are £17 million at the year end with most of this earmarked for specific purposes**

**37.** With the £10.7 million surplus achieved in 2021/22, the balance on the General Fund was £17 million at 31 March 2022. The majority of the year end reserves balance (£15.8 million) is held as earmarked reserves for specific purposes. These include £9 million to be spent on Covid-19 and £2.3 million for the Primary Care Improvement Plan. The remaining £1.3 million has been included in uncommitted reserves and will be used as part of the 2022/23 budget.

### **The IJB has a medium-term financial plan but has yet to develop a longer-term plan**

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

**39.** During 2021/22, the IJB updated its Reserves Policy. While the Policy does not set a minimum level of reserves the IJB should hold, it does require that a prudent amount should be held and should be reviewed annually considering the prevailing financial environment.

**40.** As part of the 2022/23 budget setting process, the Medium-Term Financial Framework was updated and presented the Board in March 2022. This covers the period from 2022/23 to 2026/27. The updated framework identified Covid-19 as a significant risk around its budgeting in coming years, as well as the challenges of the current economic climate and labour market challenges. The plan forecasts an increasing deficit over the five years, with a cumulative deficit of £12.1 million forecast over the five years to 2026/27.

**41.** The IJB's Strategic Plan 2022-2032 was presented to the Board in November 2022. The Medium-Term Financial Framework is currently being reviewed to ensure financial planning is aligned with the Strategic Plan.

### **Financial systems of internal control operated effectively**

**42.** The IJB does not have its own financial systems and instead relies on partner bodies' financial systems. All financial transactions are therefore processed under the partner bodies' internal controls.

**43.** As part of our audit approach, we sought assurances from the external auditor of NHS Grampian and Moray Council. Some control weaknesses were identified within Moray Council and the auditors undertook additional audit procedures to obtain the assurances required for their audit opinions. No issues were identified from completion of these additional procedures that affect our overall opinion on the IJB accounts.

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

**44.** The IJB does not maintain its own policies relating to the prevention and detection of fraud and error but instead depends on those in place at its partner bodies. We reviewed the arrangements in place at Moray Council and NHS Grampian and found them to be adequate. The IJB has a Code of Conduct in place to which members subscribe and the Members' Registers of Interest are publicly available on the IJB's website.

**45.** Appropriate arrangements are in place for the prevention and detection of fraud and error. We are not aware of any specific issues we require to bring to your attention.

# 3. Governance, transparency, and Best Value

The effectiveness of scrutiny and oversight and transparent reporting of information.

Using resources effectively and continually improving services.

## Main Judgements

The governance arrangements are appropriate and operate effectively

The IJB has yet to develop processes to evaluate and measure Best Value

The IJB effectively monitors performance and indicators show mixed performance

## Governance arrangements are appropriate and operate effectively

**46.** Board and Audit, Performance and Risk Committee meetings were held remotely while restrictions were in place as a result of the Covid 19 pandemic. This continued through 2021/22 but in person meeting resumed in September 2022. Full details of the meetings held by the IJB are available on the IJB's website. Committee papers and minutes of meetings are publicly available. Public notice of each meeting is available via the IJB's website.

**47.** CIPFA has produced a good practice guide on audit committees which recommends these committees should report annually on their performance to those charged with governance. The good practice guide includes a self-assessment checklist for audit committees to help them do this. We reported previously that the IJB's Audit, Performance and Risk Committee had not completed this assessment. The assessment has still not been completed and this is reflected in [Appendix 1](#) and our follow up of prior year actions.

**48.** We consider that governance arrangements are appropriate and support effective scrutiny, challenge and decision making.

## The IJB has yet to develop processes to evaluate and measure Best Value

**49.** Integration Joint Boards have a statutory duty to have arrangements to secure Best Value. To achieve this, IJBs should have effective processes for

scrutinising performance, monitoring progress towards their strategic objectives, and holding partners to account.

**50.** The IJB clearly recognises the importance of securing best value, with this being highlighted in its ten-year Strategic Plan. A self-evaluation exercise on the importance of securing best value, reported in June 2019, highlighted the need to 'develop better processes to evaluate and measure outcomes in line with Best Value'. This self-evaluation and the resulting action plan were revisited in April 2021 and an updated improvement action plan was approved in June 2021. Progress against this plan was reported to the IJB meeting in January 2022 and a development session was held for members in February 2022.

**51.** In prior years we have recommended that the IJB should develop its own assessment of Best Value. We have been advised that this work progressed during 2021/22 but was not completed due to changes in key staff. A revised action and timescale for completion have been agreed with management, and are set out in [Appendix 1](#) in our follow-up of prior year recommendations.

### **The IJB effectively monitors performance and indicators show mixed performance**

**52.** The Public Bodies (Joint Working) (Scotland) Act 2014 requires the IJB to produce an annual performance report covering areas such as assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, and the inspection of services. The 2021/22 Annual Performance Report was presented to the Audit, Performance and Risk Committee on 24 November 2022 and, following approval, has been published on the IJB's website.

**53.** The Board has continued to monitor key performance targets throughout the year with quarterly performance reports presented to the Audit, Performance and Risk Committee during 2021/22. Performance is measured using a RAG (red / amber / green) system against each of the IJB's ten local indicators which are aligned to its Strategic Plan.

**54.** The most recent quarterly performance report (presented to the committee in August 2022) showed three of the indicators as being green, two amber and five red.

**55.** The five red indicators relate to:

- A&E attendance rate per 1,000 of the population
- number of delayed discharges at the end of the quarter
- number of beds days occupied by delayed discharges
- rate of emergency occupied bed days for over 65s per 1,000 of the population
- percentage of patients commencing Psychological Therapy Treatment within 18 weeks of referral.

**56.** Delayed discharge indicators are showing an increasing trend. Work is ongoing to reduce these numbers and action taken in 2021/22 includes the introduction of twice weekly meetings to scrutinise the delayed discharge workflow and a new contract for Care at Home service provision being put in place. The IJB recognises the significant challenges in addressing issues around delayed discharges.

### **National performance audit reports**

**57.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2021/22 we published some reports which may be of interest to the IJB as outlined in [Appendix 2](#).



# Appendix 1. Action plan 2021/22

## Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>B/F 1. Audit, Performance and Risk committee 2020/21 AAR</b></p> <p>CIPFA recommends that audit committees report annually on their performance to those charged with governance. CIPFA's good practice guide includes a checklist for audit committees to use as part of their assessment of performance. The IJB's Audit, Performance and Risk Committee has yet to assess its performance.</p> <p><b>Risk:</b> the Audit, Performance and Risk Committee is not complying with good practice and cannot evidence its effectiveness.</p>	<p>The Audit, Performance and Risk Committee should assess its performance using the CIPFA self-assessment checklist and report annually to the IJB on its performance.</p>	<p><b>Outstanding</b></p> <p>The assessment has still not been completed</p> <p><b>Revised action:</b></p> <p>Complete self-assessment at year end and then embed this as part of business cycle.</p> <p><b>Responsible officer:</b></p> <p>Corporate Manager</p> <p><b>Revised date:</b></p> <p>30 April 2023</p>
<p><b>B/F 2. Medium-term financial plan</b></p> <p>The IJB now has a medium-term financial plan that spans the period 2019/20 to 2023/24 but this will need to be updated to reflect the impact of Covid-19 and EU withdrawal.</p> <p><b>Risk:</b> the financial planning assumptions in the medium-term plan may now be inaccurate.</p>	<p>The IJB's medium-term financial plan should be reviewed due to the impact of Covid-19 and EU withdrawal.</p> <p>2020/21 Update: the IJB's Strategic Plan and suite of other supporting documents should also be reviewed.</p>	<p><b>Complete</b></p> <p>An updated medium-term financial framework has been completed and identified Covid-19 as a significant risk with assumptions made to include recurring SG funding in the figures. EU withdrawal isn't specifically mentioned but labour challenges and wider economic challenges are.</p>

Issue/risk	Recommendation	Agreed management action/timing
		A new Strategic Plan covering the period 2022 to 2032 was approved at the November 2022 meeting of the Board.
<p><b>B/F 3. Self-evaluation exercise</b></p> <p>A self-evaluation exercise was undertaken and presented to the Board in June 2019. It included 11 areas for improvement, including the need to ‘develop better processes to evaluate and measure outcomes in line with Best Value’. There has been no update provided to the Board on the progress against implementing these areas for improvement.</p> <p><b>Risk:</b> the IJB is unable to demonstrate how it delivers Best Value.</p>	<p>The IJB should develop its own assessment of Best Value.</p>	<p><b>Outstanding</b></p> <p>Work to develop the IJB’s assessment of Best Value progressed during 2021/22 but was not completed due to changes in key staff.</p> <p><b>Revised action:</b></p> <p>Seek out examples of good practice from other IJBs and shape for use for Moray, presenting the model to the IJB.</p> <p><b>Responsible officer:</b></p> <p>Interim Chief Finance Officer</p> <p><b>Revised date:</b></p> <p>31 March 2023</p>

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# Appendix 2. National reports and briefing papers

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## May

[Local government in Scotland Overview 2021](#)

## June

[Covid 19: Personal protective equipment](#)

## July

[Community justice: Sustainable alternatives to custody](#)

## September

[Covid 19: Vaccination programme](#)

## January

[Planning for skills](#)

[Social care briefing](#)

## February

[NHS in Scotland 2021](#)

## March

[Local government in Scotland: Financial Overview 20/21](#)

[Drug and alcohol: An update](#)

[Scotland's economy: Supporting businesses through the Covid 19 pandemic](#)

# Moray Integration Joint Board

## Draft 2021/22 Annual Audit Report

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