



Moray Integration Joint Board

Thursday, 27 September 2018

Inkwell Main, Elgin Youth Cafe

NOTICE IS HEREBY GIVEN that a Meeting of the **Moray Integration Joint Board** is to be held at **Inkwell Main, Elgin Youth Cafe**, on **Thursday, 27 September 2018** at **09:00**. to consider the business noted below.

AGENDA

- 1 Welcome and Apologies**
- 2 Declaration of Member's Interests**
- 3 External Auditors Report to those Charged with Governance** **3 - 40**
Report by the Chief Financial Officer
- 4 2017-18 Audited Annual Accounts** **41 - 94**
Report by the Chief Financial Officer

MORAY INTEGRATION JOINT BOARD

MEMBERSHIP

Councillor Shona Morrison (Chair)	Moray Council
Ms Christine Lester (Vice-Chair)	Non-Executive Board Member, NHS Grampian
Dame Anne Begg	Non-Executive Board Member, NHS Grampian
Councillor Tim Eagle	Moray Council
Councillor Louise Laing	Moray Council
Mrs Susan Webb	Executive Board Member, NHS Grampian

NON-VOTING MEMBERS

Ms Tracey Abdy	Chief Financial Officer, Moray Integration Joint Board
Mr Ivan Augustus	Carer Representative
Ms Elidh Brown	tsiMORAY
Mr Sean Coady	Head of Primary Care, Specialist Health Improvement and NHS Community Children's Services, Health and Social Care Moray
Mr Tony Donaghey	UNISON, Moray Council
Ms Pamela Gowans	Chief Officer, Moray Integration Joint Board
Mrs Linda Harper	Lead Nurse, Moray Integration Joint Board
Mr Steven Lindsay	NHS Grampian Staff Partnership Representative
Ms Jane Mackie	Chief Social Work Officer, Moray Council
Dr Malcolm Metcalfe	Deputy Medical Director, NHS Grampian
Dr Graham Taylor	Registered Medical Practitioner, Primary Medical Services, Moray Integration Joint Board
Mrs Val Thatcher	Public Partnership Forum Representative
Dr Lewis Walker	Registered Medical Practitioner, Primary Medical Services, Moray Integration Joint Board

Clerk Name: Caroline Howie
Clerk Telephone: 01343 563302
Clerk Email: caroline.howie@moray.gov.uk



REPORT TO: SPECIAL MORAY INTEGRATION JOINT BOARD ON 27 SEPTEMBER 2018

SUBJECT: EXTERNAL AUDITORS' REPORT TO THOSE CHARGED WITH GOVERNANCE

BY: CHIEF FINANCIAL OFFICER

1. REASON FOR REPORT

- 1.1 To request the Moray Integration Joint Board (MIJB) to consider the reports to those charged with governance from the Board's External Auditor for the year ended 31 March 2018.

2. RECOMMENDATION

- 2.1 It is recommended that the Moray Integration Joint Board considers and notes the reports from the External Auditor within Appendices 1 and 2.

3. BACKGROUND

- 3.1 The responsibilities of Audit Scotland as the independent auditor are established by the Local Government (Scotland) Act 1973, the code of Audit Practice (2016), which can be found at http://www.audit-scotland.gov.uk/uploads/docs/report/2016/code_audit_practice_16.pdf and supplementary guidance, and are supported by the auditing profession's ethical guidance.

4. KEY MATTERS RELEVANT TO RECOMMENDATION

- 4.1 The work carried out by Audit Scotland during 2017/18 has produced two reports that are subject to the consideration of those charged with governance. The reports are attached as follows:
- Independent Auditors Report to those charged with governance (**APPENDIX 1**)
 - The Annual Audit Report 2017/18 (**APPENDIX 2**)

- 4.2 The audit opinions expressed were all unqualified and are reported within the 'independent auditors report' included within **APPENDIX 1**.
- 4.3 The Annual Audit Report included at **APPENDIX 2** provides an Action Plan where recommendations for improvement are made, based on the findings of the review. These recommendations have been discussed with management and corresponding actions have been agreed, together with timescales for completion.
- 4.4 The Annual Audit Report provides a summary of the significant audit risks identified during planning. The results and conclusions of this work are noted within the report.

5. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP)) and Moray Integration Joint Board Strategic Commissioning Plan 2016 – 2019

The work of the external auditor and the production of these reports for those charged with governance have been completed within the specified timescales agreed.

(b) Policy and Legal

The Public Bodies (Joint Working) (Scotland) Act 2014 requires that the MIJB is subject to the audit and accounts provisions of a body under Section 106 of the Local Government (Scotland) Act 1973.

(c) Financial implications

There are no direct financial implications arising from this report.

(d) Risk Implications and Mitigation

The external auditor, Audit Scotland, through the audit process, provides assurance to the Board that the Annual Accounts for 2017/18 give a true and fair view of the financial position. The Annual Audit Report highlights risks identified during the audit process and recommendations for action which have been agreed by management.

(e) Staffing Implications

None arising directly from this report.

(f) Property

None arising directly from this report

(g) Equalities/Socio Economic Impact

None arising directly from this report

(h) Consultations

Consultation has taken place between Audit Scotland and the Chief Financial Officer of the MIJB in preparation of the Annual Audit Report. Any comments received have been considered in writing this report.

6. CONCLUSION

- 6.1 The External Auditor has issued an unqualified opinion for the 2017/18 Annual Accounts. The Annual Audit Report, Independent Auditors' Report and the Letter of Representation present the full findings.**

Author of Report: Tracey Abdy, Chief Financial Officer
Background Papers: with author
Ref:



Moray Integration Joint Board
C/O Moray Council
High Street
Elgin
IV30 1BX

27 September 2018

Moray Integration Joint Board Audit of 2017/18 annual accounts

Independent auditor's report

1. Our audit work on the 2017/18 annual accounts is now substantially complete. Subject to receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 28 September 2018. The proposed report is attached at [Appendix A](#).

Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for Moray Integration Joint Board's consideration our draft annual report on the 2017/18 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.
3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.
4. This report will be issued in final form after the annual accounts have been certified.

Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature and request that these misstatements be corrected.
6. We have no unadjusted misstatements to be corrected.

Representations from Section 95 Officer

7. As part of the completion of our audit, we are seeking written representations from the Chief Financial Officer on aspects of the annual accounts, including the judgements and estimates made.

8. A draft letter of representation is attached at [Appendix B](#). This should be signed and returned to us by the Section 95 Officer with the signed annual accounts prior to the independent auditor's report being certified.

APPENDIX A: Proposed Independent Auditor's Report

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

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Moray Integration Joint Board for the year ended 31 March 2018 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the 2017/18 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the body as at 31 March 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Chief Financial Officer and Audit, Performance and Risk Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Moray Integration Joint Board is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

Other information in the annual accounts

The Chief Financial Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

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

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

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has

been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and

- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my 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
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Brian Howarth, ACMA CGMA
Audit Director
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

September 2018

APPENDIX B: Letter of Representation (ISA 580)

Brian Howarth
Audit Director
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

Dear Brian

Moray Integration Joint Board Annual Accounts 2017/18

1. This representation letter is provided in connection with your audit of the annual accounts of Moray Integration Joint Board for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Chief Officer of the Board, the following representations given to you in connection with your audit of Moray Integration Joint Board's annual accounts for the year ended 31 March 2018.

General

3. Moray Integration Joint Board and I have fulfilled our statutory responsibilities for the preparation of the 2017/18 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Moray Integration Joint Board have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (2017/18 accounting code), mandatory guidance from LASAAC, and the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.
6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Moray Integration Joint Board at 31 March 2018 and the transactions for 2017/18.

Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2017/18 accounting code, where applicable. Where the code does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Moray Integration Joint Board circumstances and have been consistently applied.
8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

9. I have assessed Moray Integration Joint Board's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Moray Integration Joint Board's ability to continue as a going concern.

Liabilities

10. All liabilities at 31 March 2018 of which I am aware have been recognised in the annual accounts.
11. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2018 of which I am aware where the conditions specified in the 2017/18 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2018. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.
12. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2018 or to reflect material changes in the assumptions underlying the calculations of the cash flows.
13. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Fraud

14. I have provided you with all information in relation to
 - my assessment of the risk that the financial statements may be materially misstated as a result of fraud
 - any allegations of fraud or suspected fraud affecting the financial statements
 - fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

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

Related Party Transactions

16. All material transactions with related parties have been disclosed in the financial statements in accordance with the 2017/18 accounting code. I have made available to you the identity of all the Moray Integration Joint Board's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

17. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014, and all required information of which I am aware has been provided to you.

Management commentary

18. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

Corporate Governance

19. I confirm that the Moray Integration Joint Board has undertaken a review of the system of internal control during 2017/18 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
20. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2018, which require to be reflected.

Balance Sheet

21. All events subsequent to 31 March 2018 for which the 2017/18 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Tracey Abdy
Chief Financial Officer

Moray Integration Joint Board

DRAFT 2017/18 Annual Audit Report



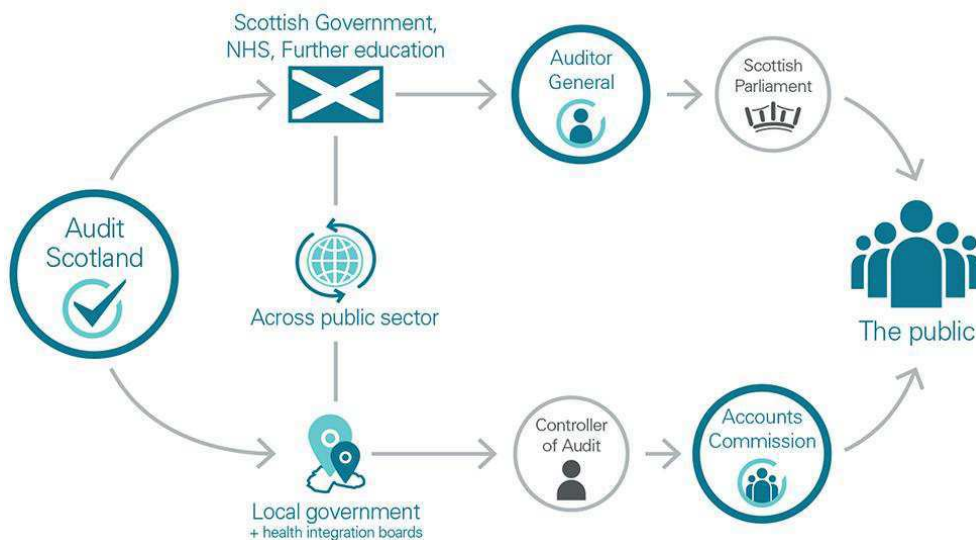
 **AUDIT SCOTLAND**

Prepared for the Moray Integration Joint Board and the Controller of Audit
27 September 2018

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- the Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance
- the Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

2017/18 annual report and accounts

- 1 Our audit opinions were all unqualified. These covered the financial statements, the audited part of the remuneration report, the management commentary and the annual governance statement.

Financial management and sustainability

- 2 The IJB has made improvements to the quality of financial monitoring reports and has effective budgetary arrangements.
- 3 In 2017/18 the IJB used reserves of £1.9 million, leaving a reserves balance of £0.8 million, which will be used in 2018/19 to meet part of the budgeted shortfall.
- 4 The IJB has been unable to present a balanced budget for 2018/19, with a funding shortfall of £3.1 million. A recovery plan will need to be agreed with NHS Grampian and Moray Council.
- 5 A five year initial financial outlook has been prepared but the IJB has still to develop detailed medium and long term financial plans to demonstrate financial sustainability and support future developments.

Governance, transparency and value for money

- 6 Overall, the IJB has appropriate governance arrangements.
- 7 The annual performance report was not published in line with the timescales set out in the Regulations, and omitted information about financial performance analysed by locality.

Introduction

1. This report is a summary of our findings arising from the 2017/18 audit of Moray Integration Joint Board, (the 'IJB').

2. The scope of our audit was set out in our Annual Audit Plan presented to the Audit and Risk Committee meeting on 29 March 2018. This report comprises the findings from the main elements of our work in 2017/18 including:

- an audit of the IJB's 2017/18 annual accounts including issuing an independent auditor's report setting out our opinions
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1

Audit dimensions



Source: *Code of Audit Practice 2016*

3. 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.

4. The IJB is responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

5. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice \(2016\)](#), supplementary guidance, and International Standards on Auditing in the UK.

6. As public sector auditors we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of the IJB's performance management arrangements, suitability and effectiveness of corporate governance arrangements, and financial position and arrangements for securing financial sustainability. In doing this, we aim to support improvement and accountability.

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

8. The weaknesses 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.

9. 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 progress against these.

10. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can confirm that we have not undertaken any non-audit related services and therefore the 2017/18 audit fee of £24,000, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Adding value through the audit

11. Our aim is to add value to the IJB by increasing insight into, and offering foresight on financial sustainability, risk and performance and by identifying areas of improvement and recommending / encouraging good practice. 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.

12. 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.

13. We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

Part 1

Audit of 2017/18 annual accounts



Main judgements

Our audit opinions were all unqualified. These covered the financial statements, the management commentary, the audited part of the remuneration report and the annual governance statement.

Audit opinions on the annual accounts

14. The annual accounts for the year ended 31 March 2018 were approved by the IJB on 27 September 2018. We reported within our independent auditor's report that in our opinion:

- the financial statements give a true and fair view and were properly prepared
- the audited part of the remuneration report, management commentary, and annual governance statement were all consistent with the financial statements and properly prepared in accordance with proper accounting practices.

15. Additionally, we have nothing to report in respect of misstatements in the other information presented with the financial statements, the adequacy of accounting records or the information and explanations we received.

The annual accounts are the principal means of accounting for the stewardship of the board's resources and its performance in the use of those resources.

Submission of annual accounts for audit

16. We received the unaudited annual accounts on 28 June 2018 in line with our agreed audit timetable. The working papers provided with the unaudited annual accounts were of a good standard and finance staff provided good support to the audit team which helped ensure the audit process ran smoothly.

Risks of material misstatement

17. [Appendix 2](#) provides a description of those assessed risks of material misstatement that were identified during the planning process, wider dimension risks, how we addressed these and our conclusions. These risks had the greatest effect on the overall audit strategy, the allocation of staff resources to the audit and directing the efforts of the audit team.

Materiality

18. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement. It is affected by our perception of the financial information needs of users of the financial statements.

19. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. We assess the materiality of uncorrected misstatements, both individually and collectively. On receipt of the unaudited financial statements we reviewed our planning materiality and concluded that the materiality levels required only minor adjustment. These are shown in [Exhibit 2](#).

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality	£1.3 million
Performance materiality	£650,000
Reporting threshold	£25,000

Significant findings from the audit in accordance with ISA 260


20. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. These are summarised in [Exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included.

21. The findings include our views about significant qualitative aspects of the board's accounting practices including:

- | | |
|---|---|
| • Accounting policies | • Accounting estimates and judgements |
| • Significant financial statements disclosures | • Timing of transactions and the period in which they are recorded |
| • The impact on the financial statements of any uncertainties | • The effect of any unusual transactions on the financial statements |
| • Misstatements in the annual report and accounts | • Disagreement over any accounting treatment or financial statements disclosure |

Exhibit 3

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Notice of public right to inspect and object to accounts</p> <p>The Local Authority Accounts (Scotland) Regulations 2014 require that the notice of public right to inspect and object to the accounts is published on the Board's website no later than 17 June. A notice was published by Moray Council that included the IJB and the accounts were available at the council offices and on the IJB's website as part of the Board papers. However, the IJB did not publish the public notice on its website in accordance with section 9 (3c) of the regulations.</p>	<p>The notice of public inspection was published, but was not repeated on the IJB's website. The notice of public right to inspect and object to accounts should be published on the IJB's website in 2018/19.</p> <p> Recommendation 1 (refer appendix 1, action plan)</p>

How we evaluate misstatements

22. There were no material adjustments to the unaudited financial statements arising from our audit that require to be reported to those charged with governance.

Good practice in financial reporting

23. The Chief Financial Officer has taken steps to improve the annual accounts and reflect good practice as set out in the Audit Scotland good practice note on '[Improving the quality of local authority accounts – integration joint boards](#)'. Examples in the management commentary of in year operational performance including the 'Boogie in the Bar' initiative provide good illustrative examples of the innovative work the IJB is doing.

Follow up of prior year recommendations

24. We have followed up actions previously reported and assessed progress with implementation. These are reported in [Appendix 1](#) and identified by the prefix b/f (brought forward).

25. In total, five agreed actions were raised in 2016/17. Overall, the IJB has made reasonable progress in implementing these actions, with four actions being fully implemented. For those actions not yet implemented, revised responses and timescales have been agreed with management in [Appendix 1](#).

Part 2

Financial management and sustainability



Main judgements

The IJB has made improvements to the quality of financial monitoring reports in 2017/18 and has effective arrangements, which provide timely and reliable information for monitoring financial performance.



In 2017/18 the IJB used reserves of £1.9 million, leaving a reserves balance of £0.8 million, which will be used in 2018/19 to meet part of the budgeted shortfall.

The IJB has been unable to present a balanced budget for 2018/19, with a funding shortfall of £3.1 million.

An initial five year financial outlook has been prepared, but the IJB is still to develop detailed medium and long term financial plans.

Financial management

26. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements.

27. The Chief Financial Officer was appointed on 9 August 2017. She reports directly to the Chief Officer and regularly reports to the IJB and the Audit, Performance and Risk Committee.

28. In 2016/17 we reported that the IJB did not identify the extent of the year-end underspends in budget monitoring reports presented to the Board during the year. The 2017/18 budget reports show a marked improvement in projecting the year-end outturn. In 2017/18 budget monitoring reports are prepared quarterly for the Board. [Exhibit 4](#) summarises the forecast year end position reported at the end of each quarter.

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

Exhibit 4

Financial Monitoring reports showing projected outturn for over/underspends

	Core budget forecast (over)/underspend £m	Strategic Funds forecast (over)/underspend £m	Total year end forecast (over)/underspend £m
Quarter 1	-	-	-
Quarter 2	(1.7)	2.5	0.8
Quarter 3	(2.1)	2.6	0.5

	Core budget forecast (over)/underspend £m	Strategic Funds forecast (over)/underspend £m	Total year end forecast (over)/underspend £m
2017/18 Accounts	(2.3)	3.1	0.8

Source: Financial Monitoring Reports taken to IJB

Financial performance in 2017/18

29. An indicative budget for 2017/18 was approved by the IJB in March 2017. This identified a funding gap of £3.98 million. A favourable position was realised at the end of 2016/17 creating reserves of £2.7 million and this along with further identified savings (£0.6 million) and further work on budget pressure assessments (reduction of £2.7 million) allowed the IJB to balance its budget in June 2017. Movements in the funding between the indicative budget and the balanced budget were as a result of improvements in the clarity of the allocation of funding.

30. The budgeted position continued to move throughout 2017/18 in the main as result of the allocation of non-recurring funding that is received via NHS Grampian. The outturn is identified in [Exhibit 5](#). This shows the initial funding gap, balanced budget and performance against the final budget.

31. The IJB reported an overspend against Core Services of £2.2 million which was funded by use of reserves and slippage against strategic funds, leaving a remaining reserves balance of £0.8 million.

Exhibit 5

Performance against budget

IJB budget summary	Indicative budget March '17 £m	Balanced budget June '17 £m	Final budget £m	Actual £m	Variance £m
NHS Grampian Funding (including set aside)	73,739	81,271	84,892	84,892	-
Moray Council Funding	46,475	40,069	40,070	40,070	-
Total Funding	120,214	121,340	124,962	124,962	-
Total Core Services	114,032	113,616	112,456	114,700	(2,244)
Set aside	10,163	10,163	10,593	10,593	
Strategic Funds	-	-	4,618	1,527	3,091
Total IJB expenditure	124,195	123,779	127,667	126,820	847
Funding gap/use of reserves	(3,981)	(2,439)	(2,705)	(1,858)	847

Source: 2017/18 budget/ Annual Accounts

Financial planning

32. The financial budget for 2018/19 was approved in March 2018. This identified a shortfall of £4.6 million, which represents a funding gap of 3.6% against budget expenditure of £127 million, including £10.6 million set aside. At the end of June 2018 the Chief Financial Officer presented a revised budget, which had been updated to reflect the 2017/18 year end position. The budget approved the use of the remaining reserves balance of £0.8 million, and identified additional savings of £0.5 million, leaving a shortfall of £3.3 million.

33. The most recent budget monitoring report reports an overspend of £1 million as at 30 June 2018. The budget shortfall has dropped slightly to £3.1 million however the IJB is unable to present a balanced budget for 2018/19.

34. To address the 2018/19 budget shortfall the integration scheme requires the CO and CFO to agree corrective action with the Board and this is being explored through sessions being held with senior and operational management teams. If the shortfall cannot be resolved a recovery plan must be agreed between the CO and CFO of the IJB, and the Director of Finance of NHS Grampian and the Section 95 officer of Moray Council.



Recommendation 2

The 2018/19 budget shortfall should be addressed to allow the IJB to balance its budget, or a recovery plan must be agreed with NHS Grampian and Moray Council.

Medium and long term financial planning

35. As we reported in 2016/17 the IJB does not currently carry out longer term financial planning. In August 2018 the Chief Financial Officer presented an initial financial outlook for the next 5 years to the Board and intends to develop a financial strategy through alignment with the Strategic Plan 2019-2022. The IJB therefore still need to prepare detailed medium to long term financial plans based on demand and resource assumptions using sensitivity analysis and scenario planning.



Recommendation 3

A long term financial strategy (5 years +) supported by clear and detailed financial plans (3 years +) should be developed. This is increasingly important as demand pressures increase, financial settlements continue to reduce and fundamental service redesign over a longer time frame becomes necessary. Plans should set out scenario plans (best, worst, most likely).

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.

Reserves strategy

36. The IJB approved its reserves policy at the IJB meeting on 31 March 2016 (updated in January 2018), this allows the IJB to hold reserves. At the 31 March 2018 the IJB held reserves of £0.8 million. The IJB reserves are represented by debtors balances due from NHS Grampian and Moray Council of £0.7 million and £0.1 million respectively.

37. The IJB has approved the use of the remaining reserves of £0.8 million to support the funding of the 2018/19 revenue budget shortfall.

Systems of internal control

38. The IJB does not have any financial systems of its own. Instead it relies on the financial systems of the host bodies to record all transactions. The key financial systems which the IJB relies on include general ledger, trade payables, trade receivables and payroll.

39. As part of our audit approach we sought assurances from the external auditor of NHS Grampian and Moray Council (in accordance with ISA 402) and confirmed there were no weaknesses in the systems of internal controls for the health board. The majority of systems of key controls at the council were operating effectively with the exception of controls in operation over the council's payroll system. Substantive testing did not identify any issues.

Part 3

Governance, transparency and value for money



Main judgements

The IJB revised its governance arrangements in 2017/18 and these are appropriate.



The annual performance report for 2017/18 was not published within four months of the year end, and omitted information about financial performance analysed by locality required by the Regulations.

Governance arrangements

40. The IJB consists of six voting members, three each from NHS Grampian and Moray Council. Non-voting members include service user and staff representatives, and the IJB's Chief Officer and Chief Financial Officer. The Board is supported in its work by two Committees: the Clinical Care and Governance Committee and the Audit, Performance and Risk Committee.

41. In June 2018 the IJB took the decision to amend the Audit and Risk Committee remit to include performance issues and as such the committee has been renamed the Audit, Performance and Risk Committee.

42. The Audit and Risk Committee approved a Local Code of Corporate Governance in December 2017. The local code is based on and adopts the principles of the CIPFA/SOLACE Delivering Good Governance Framework. The IJB's Annual Governance Statement includes an annual review to assess the IJB's performance against the principles. Our review of the Annual Governance Statement concludes that while the IJB described in detail the governance arrangements and processes in place it does not provide an assessment of the effectiveness of the IJB's arrangements.

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

Transparency

43. All committee and board meetings are held in public. Access to all committee papers and minutes of meetings is available on the IJB's website.

44. Overall, we concluded that the IJB conducts its business in an open and transparent manner.

Internal audit

45. The IJB's internal audit function is provided by Moray Council's internal audit team. As part of our Moray Council audit we reviewed the internal audit function and noted that an external assessment against the Public Sector Internal Audit Standards (PSIAS) had not been undertaken since the introduction of the PSIAS on 1 April 2013.

46. The PSIAS requires that an external assessment take place at least every five years and so internal audit have not complied with this requirement. We have been advised that an external assessment will be undertaken in September 2018. The Internal Audit Manager recently completed a self-assessment of the internal audit function and reported the results of this review to Moray Council's Audit and Scrutiny Committee on 22 August 2018, two standards were assessed as partially conforming. Progress against addressing these areas is due to be made. We will undertake a further review of internal audit as part of our planning for the 2018/19 audit.



Recommendation 4

An external assessment of the internal audit function against the Public Sector Internal Audit Standards should be undertaken and the results reported to the IJB.

Standards of conduct and arrangements for the prevention and detection of bribery and corruption

47. In 2016/17 we reported on the IJB's arrangements for the prevention and detection for fraud and bribery and concluded that they were effective.

48. All voting, non-voting and co-opted members are required to complete and update their register of interests. These are maintained by the IJB and are available on the IJB's website. From a review of the register of interests available on the website it was identified that a number of registers have not been updated since August 2016.



Recommendation 5

All voting, non-voting and co-opted members should update their register of interests at least annually and these should be made available on the IJB's website.

Value for money and performance management

49. Best Value duties apply to accountable officers across the public sector. One of the key principles of the IJB integration scheme is making best use of public money by providing services that are efficient, effective and sustainable, and best value is a visible theme throughout IJB reports. One mechanism for the IJB ensuring Best Value is through the preparation of the annual performance report, the report assesses performance in relation to best value.

Value for money is concerned with using resources effectively and continually improving services.

50. The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end. The IJB did not publish an annual performance report within this timescale.

51. We have reviewed the annual performance report for 2017/18 and identified it does not fully comply with the prescribed content set out in The Public Bodies (Joint Working) (Scotland) Act 2014 (Content of Performance Reports)(Scotland) Regulations 2014 in respect of financial information. The regulations require information about financial performance analysed by locality. The Chief Financial Officer is committed to improving financial reporting and this will be reflected in future reports.

52. The regulations also require that where a scrutiny body has made recommendations as a result of carrying out an inspection those recommendations are listed within the performance report. While the IJB do not provide a detailed list of recommendations, a year on year comparison and examples of how recommendations are being addressed is included.



Recommendation 6

The annual performance report should be published in accordance with the timescale as set out in the 2014 regulations.

The contents of the annual performance report should be improved to include information about financial performance analysed by locality.

53. The IJB receives performance reports on a quarterly basis. These reports assess performance indicators as red, amber or green and note any change in assessment since the previous quarterly performance report. The IJB is continuing to develop its performance management framework during 2018 and is looking to further develop local indicators including new indicators across health and social care.

National performance audit reports

54. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2017/18 we published some reports which may be of interest to the IJB as outlined in [Appendix 3](#).

55. In November 2018 we will publish our second national report looking at the integration of health and social care. Now that integration authorities are more established, this report will look at progress and follow up on the risks identified in our first report. The audit will also examine changes to the system, including evidence of shifts in service delivery from acute to community based and preventative services, and the impact on the lives of local people.

Appendix 1

Action plan 2017/18

2017/18 recommendations for improvement



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Notice of public right to inspect and object to accounts</p> <p>The Local Authority Accounts (Scotland) Regulations 2014 require that the notice of public right to inspect and object to accounts is published on the Board's website. The IJB did not publish the public notice on its own website in accordance with the regulations.</p> <p>Risk</p> <p>The IJB fails to comply with the Local Authority Accounts (Scotland) Regulations 2014.</p>	<p>In 2018/19 the IJB should publish the notice of public right to inspect and object to the accounts on its website within the required timescale.</p>	<p>The IJB will publish the notice of public right to inspection on the Health and Social Care Moray website.</p> <p>Responsible officer</p> <p>Chief Financial Officer</p> <p>Agreed date</p> <p>By 17 June 2019</p>
2	<p>Budget setting/financial sustainability</p> <p>The financial budget for 2018/19 approved in March 2018 identified a funding shortfall of £4.6 million. While the shortfall has reduced the IJB has not been able to present a balanced budget for 2018/19.</p> <p>Risk</p> <p>The IJB is unable to balance its budget and may not be able to deliver planned services or will have to call on NHS Grampian and Moray Council to provide additional funding.</p>	<p>The 2018/19 budget shortfall should be addressed to allow the IJB to balance its budget, or a recovery plan must be agreed with NHS Grampian and Moray Council.</p>	<p>The IJB will make continued efforts to address the budget position, accepting that this will result in the production of a recovery plan to be agreed by NHS Grampian and Moray Council.</p> <p>Responsible officer</p> <p>Chief Officer and Chief Financial Officer</p> <p>Agreed date</p> <p>December 2018</p>
3	<p>Medium and long term financial planning</p> <p>There are no medium to long term financial plans in place. Audit Scotland is encouraging councils and health boards to</p>	<p>A long term financial strategy (5 years +) supported by clear and detailed financial plans (3 years +) should be prepared. This is increasingly important as demand pressures increase financial settlements</p>	<p>Financial strategies and plans will be developed which will support and be aligned to the Strategic Plan.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>develop medium and long term financial plans and we expect IJBs to do this too.</p> <p>Risk</p> <p>The IJB is not planning adequately over the medium to long term to manage or respond to significant financial risks.</p>	<p>continue to reduce and fundamental service redesign over a longer time frame becomes necessary. Plans should set out scenario plans (best, worst, most likely).</p>	<p>Responsible Officer</p> <p>Chief Officer and Chief Financial Officer</p> <p>Agreed date</p> <p>31 March 2019</p>
4	<p>External assessment of Internal Audit</p> <p>An external assessment of the IJB's internal audit function was not completed within five years of the introduction of the Public Sector Internal Audit Standards as required by these standards.</p> <p>Risk</p> <p>Without external assessment, Internal Audit cannot demonstrate that it complies with the Public Sector Internal Audit Standards.</p>	<p>An external assessment of the internal audit function should be undertaken and the results reported to the IJB.</p>	<p>An external assessment is in progress and will be reported accordingly in line with the Internal Audit Plan 2018/19.</p> <p>Responsible officer</p> <p>Chief Internal Auditor</p> <p>Agreed date</p> <p>March 2019</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
5	<p>Register of Interests</p> <p>All voting, non-voting and co-opted members are required to complete and update their register of interests. From a review of the register of interests available on the website it was identified that a number of registers have not been updated since August 2016.</p> <p>Risk</p> <p>The IJB is failing to keep an up to date register of interests.</p>	<p>All voting, non-voting and co-opted members should update their register of interests at least annually and these should be made available on IJB's website.</p>	<p>Processes will be developed to ensure more regular updates of register of interests. The Health and Social Care website will be updated accordingly.</p> <p>Responsible officer</p> <p>Chief Officer</p> <p>Agreed date</p> <p>During 2018/19</p>
6	<p>Annual Performance Report</p> <p>The IJB did not publish its annual performance report within four months of the year end.</p> <p>We reviewed the contents of 2017/18 annual performance report and found that the financial information does not fully comply with the 2014 Regulations.</p> <p>Risk</p> <p>The IJB is not fulfilling its responsibilities in relation to public performance reporting.</p>	<p>The annual performance report should be published in accordance with the timescale as set out in the 2014 regulations.</p> <p>The contents of the annual performance report should be improved to include information about financial performance analysed by locality.</p>	<p>A different approach will be adopted during 2018/19 to assist the production of the Annual Performance Report and its timely publication. Progress around Locality Planning continues to be a priority for the IJB and performance will be assessed against the criteria as it develops.</p> <p>Responsible officer</p> <p>Chief Officer and Chief Financial Officer</p> <p>Agreed date</p> <p>31 July 2019</p>

Follow up of prior year recommendations

b/f	<p>Confirmation of balances</p> <p>Confirmation of the year end debtor balance was received from NHS Grampian by email. Formal confirmation of the debtor balance with Moray Council was not obtained.</p> <p>Risk</p> <p>Year end balances in the accounts are inconsistent between partners.</p>	<p>The IJB should ensure that balances and transactions are formally agreed at the year end in accordance with timescales agreed with NHS Grampian and Moray Council.</p>	<p>Complete</p> <p>The Chief Financial Officer advised that the Integration Scheme gives no requirement to formally agree the balances, just that balances are agreed. The CFO advised that there is ongoing dialog with both partners at year end to establish an agreed position and which has become embedded in the year end process.</p>
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No.	Issue/risk	Recommendation	Agreed management action/timing
b/f	<p>Acute hospital set-aside</p> <p>Arrangements for the sum set aside for hospital acute services under the control of the IJB are not yet operating as required by legislation and statutory guidance.</p> <p>A notional figure has been agreed and included in the annual report and accounts. This is based on 2014/15 activity levels uprated to reflect the 2016/17 price basis and does not reflect actual hospital use.</p> <p>This is a transitional arrangement agreed by the Scottish Government.</p> <p>Risk</p> <p>The sum recorded as set aside for acute services in the annual accounts does not reflect actual hospital use.</p>	<p>NHS Grampian and the IJB should prioritise establishing revised processes for planning and performance management of delegated hospital functions and associated resources in 2017/18.</p>	<p>Complete</p> <p>A notional figure has been agreed and included in the 2017/18 financial statements. This is based on 2016/17 activity levels uprated to reflect 2017/18 prices.</p> <p>This reflects correspondence from the Scottish Government issued on 21 February 2018 in connection with Large Hospital Services and Set Aside Budgets for 2017/18.</p>
b/f	<p>Budget Monitoring</p> <p>The in-year budget monitoring reports did not forecast the £2.7 million underspend. There were late budget adjustments with final revised budgets being confirmed at year-end.</p> <p>Risk</p> <p>Budget reports do not provide sufficient information to enable members to review in-year financial performance.</p>	<p>Financial monitoring reports should be reviewed to ensure that they include reliable financial projections and that there is a clear link between in year reports and the year end position reported in the annual accounts.</p>	<p>Complete</p> <p>Work on financial monitoring reports has improved the clarity of information provided to members. Financial monitoring reports are comprehensive and outline any under/overspends as well as the reason for these variances.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
b/f	<p>Medium and long term financial planning</p> <p>There are no medium to long term financial plans in place. Audit Scotland is encouraging councils and health boards to develop medium and long term financial plans and we expect IJBs to do this too.</p> <p>Risk</p> <p>The IJB is not planning adequately over the medium to long term to manage or respond to significant financial risks.</p>	<p>We recommend that a long term financial strategy (5 years +) supported by clear and detailed financial plans (3 years +) is prepared. This is increasingly important as demand pressures increase, financial settlements continue to reduce and fundamental service redesign over a longer time frame becomes necessary. Plans should set out scenario plans (best, worst, most likely).</p>	<p>Outstanding</p> <p>An initial financial outlook for the next 5 years was presented to the Board in August 2018, but the IJB is still to develop more detailed medium to long term financial plans. Refer to Recommendation 3 in this action plan.</p>
b/f	<p>Best Value</p> <p>The Board should have systems and processes to ensure that it can demonstrate that it is delivering Best Value by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.</p> <p>Risk</p> <p>Opportunities for improvement through Best Value review may be missed.</p>	<p>The IJB should undertake a periodic and evidenced formal review of its performance against Scottish Government Best Value framework.</p>	<p>Complete</p> <p>The IJB's performance report provides an assessment of performance in relation to best value.</p>

Appendix 2

Significant audit risks identified during planning












The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the Code of Audit Practice 2016.

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Service auditor assurances will be obtained from the auditors of Moray Council and NHS Grampian over the completeness, accuracy and allocation of income and expenditure.</p> <p>Review of the confirmation of balances provided by NHS Grampian and Moray Council as part of the accounts preparation process.</p>	<p>Service auditor assurance was obtained from the auditors of Moray Council and NHS Grampian.</p> <p>All movements of funds between IJB and partner bodies were confirmed to management accounts and representations by partner bodies.</p>
<p>2 Acute hospital set-aside</p> <p>Arrangements for the sum set aside for hospital acute services under the control of the IJB are not yet operating as required by legislation and statutory guidance. There is a risk that the sum recorded in the accounts as set aside for acute services does not reflect actual hospital use.</p>	<p>Monitor Scottish Government guidance on the treatment of set aside in the 2017/18 financial statements.</p> <p>Engage with officers to ensure that a robust mechanism is developed to quantify the IJB's set aside income and expenditure in future years.</p>	<p>The set-aside figure in the 2017/18 accounts is based on the 2016/17 activity levels uprated to reflect 2017/18 price basis.</p> <p>This reflects correspondence from the Scottish Government issued on 21 February 2018 in connection with Large Hospital Services and Set Aside Budgets for 2017/18.</p>

Audit risk	Assurance procedure	Results and conclusions
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>3 Financial sustainability</p> <p>The initial budget set for 2017/18 included a funding gap of £4 million. A revised budget was set in June 2017 which used all of the IJB's reserves to balance the budget.</p> <p>Based on the latest budget monitoring report covering the period to 31 December 2017, the IJB is forecast to overspend on core services by £2.1 million in 2017/18. Once strategic fund balances are taken into account a small underspend (£0.5 million) is projected.</p> <p>In our 2016/17 Annual Audit Plan we reported that the 2016/17 in year budget monitoring did not forecast the £2.7 million underspend achieved at the year-end. There is a risk that budget reports do not provide sufficient information to enable members to review in-year performance and take effective corrective action.</p> <p>We also reported last year that there are no medium to long term financial plans in place. Without medium term financial planning and sufficient reserves, there is a risk that the IJB is not financially sustainable and will be dependent on additional year-end funding from NHS Grampian and Moray Council.</p>	<p>Review the 2018/19 budget setting process.</p> <p>Continue to monitor the in-year and year end financial position and any additional funding required from NHS Grampian or Moray Council.</p> <p>Review the development of medium / long term financial planning.</p>	<p>In 2017/18 the IJB utilised £1.9 million of reserves, leaving a balance of £0.8 million.</p> <p>The initial 2018/19 budget identified a significant funding shortfall. The IJB have not yet addressed how this shortfall will be met (appendix 1, recommendation 2).</p> <p>Medium/long term financial plans have not been developed (appendix 1, recommendation 3)</p>

Appendix 3

Summary of national performance reports 2017/18

 2017/18 Reports		
	Apr	
	May	
Common Agricultural Policy Futures programme: further update	 Jun	 Scotland's colleges 2017
	Jul	 NHS workforce planning
Self-directed support: 2017 progress report	 Aug	
Equal pay in Scottish councils	 Sept	
Transport Scotland's ferry services	 Oct	 NHS in Scotland 2017
Local government in Scotland: Financial overview 2016/17	 Nov	
	Dec	
	Jan	
Early learning and childcare	 Feb	
Managing the implementation of the Scotland Acts	 Mar	

Reports relevant to Integration Joint Boards

[*Self-directed support: 2017 progress report*](#) – August 2018

[*NHS in Scotland 2017*](#) – October 2018

Moray Integration Joint Board

DRAFT 2017/18 Annual Audit Report

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REPORT TO: SPECIAL MORAY INTEGRATION JOINT BOARD ON 27 SEPTEMBER 2018

SUBJECT: 2017/18 AUDITED ANNUAL ACCOUNTS

BY: CHIEF FINANCIAL OFFICER

1. REASON FOR REPORT

- 1.1 To submit to the Moray Integration Joint Board (MIJB) the Audited Annual Accounts for the year then ended 31 March 2018.

2. RECOMMENDATION

2.1 The MIJB are asked to consider and approve:

- i) the Audited Annual Accounts for the financial year 2017/18; and
- ii) the signing of the accounts by the Chief Officer, Chief Financial Officer and the Chair of the Board and thereafter submitted to Audit Scotland.

3. BACKGROUND

- 3.1 The Unaudited Annual Accounts for 2017/18 were submitted to the meeting of the MIJB on 28 June 2018 prior to submission to external audit (paragraph 10 of the Minute refers).
- 3.2 The Annual Accounts have been prepared in accordance with International Financial Reporting Standards and the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014 and the Local Government in Scotland Act 2003.

4 KEY MATTERS RELEVANT TO RECOMMENDATION

- 4.1 The audit undertaken by the Board's External Auditors, Audit Scotland is now complete. The External Auditors have expressed unqualified opinions in respect of the financial statements, the remuneration report, the management commentary and the annual governance statement. The Internal Auditor's Report to the Members of the Moray Integration Joint Board and the Accounts Commission is included within the audited Annual Accounts and can be found on page 34 of **Appendix 1**.

- 4.2 The audit process highlighted changes to be made to the accounts which in the main were presentational and in parallel with expectation following external audit inspection.
- 4.3 The Auditor's Annual Audit Report to the MIJB and the Accounts Commission is the subject of a separate report to this meeting. The report sets out the responsibilities of Audit Scotland as the independent auditor and presents a summary of the findings arising from the 2017/18 audit. The report confirms there are no unadjusted misstatements in the annual accounts to report to those charged with governance.
- 4.4 The Audited Annual Accounts are presented to this meeting for consideration and approval. Thereafter, the accounts will be signed by the Chief Officer, Chief Financial Officer and the Chair of the Board. The signed accounts must be submitted to and signed by Audit Scotland no later than 30 September 2018.

5. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP)) and Moray Integration Joint Board Strategic Commissioning Plan 2016 – 2019

The Audited Annual Accounts have being completed within the statutory timescales and are being presented for consideration and sign off.

(b) Policy and Legal

The Public Bodies (Joint Working) (Scotland) Act 2014 requires that the MIJB is subject to the audit and accounts provisions of a body under Section 106 of the Local Government (Scotland) Act 1973.

(c) Financial implications

The adjustments and revisions made to the Annual Accounts following the external audit had no financial impact on the MIJB.

(d) Risk Implications and Mitigation

There are no risk issues arising directly from this report. The work undertaken by Audit Scotland provides assurance to the Board that the Annual Accounts for 2017/18 give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the MIJB as at 31 March.

(e) Staffing Implications

None arising directly from this report.

(f) Property

None arising directly from this report.

(g) Equalities

None arising directly from this report

(h) Consultations

In preparation of the Annual Accounts, consultations have taken place between finance staff of both Moray Council and NHS Grampian who are in agreement within their areas of responsibility. The Chief Officer has been consulted and comments have been considered.

6. CONCLUSION

- 6.1 Following a completed external audit process and an unqualified opinion being received. The Audited Annual Accounts are presented to the Board for signature by the Chief Officer, the Chief Financial Officer and the Chair of the Board.**

Author of Report: Tracey Abdy, Chief Financial Officer
Background Papers: With author
Ref:

Annual Accounts for the year ended 31 March 2018



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Chief Financial Officer to the Moray Integration Joint Board, High Street, Elgin, IV30 1BX



01343 563125



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MORAY INTEGRATION JOINT BOARD MEMBERS

Voting Members

Christine Lester (Chair)	The Grampian Health Board
Cllr. Frank Brown (Vice-Chair)	Moray Council
Dame Anne Begg	The Grampian Health Board
Professor Amanda Croft	The Grampian Health Board
Cllr. Claire Feaver	Moray Council
Cllr. Shona Morrison	Moray Council

Non-Voting Members

Pamela Gowans	Chief Officer
Tracey Abdy	Chief Financial Officer
Susan Maclaren	Chief Social Work Officer
Linda Harper	Lead Nurse
Dr Ann Hodges	Registered Medical Practitioner
Dr Lewis Walker	Registered Medical Practitioner
Dr Graham Taylor	Registered Medical Practitioner
Fabio Villani	tsiMoray
Val Thatcher	Public Partnership Forum Representative
Ivan Augustus	Carer Representative
Steven Lindsay	The Grampian Health Board Staff Partnership Representative
Tony Donaghey	UNISON, Moray Council

Co-Opted Members

Jane Mackie	Head of Adult Health and Social Care
Sean Coady	Head of Primary Care

MANAGEMENT COMMENTARY

Introduction

This management commentary is intended to support its readers in understanding the strategic priorities and objectives of the Moray Integration Joint Board (MIJB). It provides an overview of the business that the MIJB has engaged in throughout the year and assesses the financial performance in year. Additionally, it will provide information on the principal risks and uncertainties which are likely to affect the future development and performance of the MIJB.

The Role and Remit of the Moray Integration Joint Board

The Public Bodies (Joint Working) (Scotland) Act 2014 requires that Moray Council and the Grampian Health Board prepared an Integration Scheme for the area of the local authority detailing the governance arrangements for the integration of health and social care services. Following formal notification of approval of the Integration Scheme from the Cabinet Secretary for Health, Wellbeing and Sport, the Order to establish Moray Integration Joint Board came into force on 6 February 2016 and the MIJB was legally established as a body corporate. This new body following approval of the Moray Strategic Plan 2016-2019 became fully operational from 1 April 2016 taking on its role as a strategic planning body with operational oversight for the delivery of services.

Moray covers a land mass of 2,238sq km. It is largely rural and has a long coastline on the Moray Firth. Moray has a population of some 96,000, which represents 1.8% of Scotland's national population (5.4 million).

MIJB is one of 31 Integration Authorities across Scotland that has been established to work with health and social care staff, communities, the third and independent sectors to ensure a person centered approach to the design and delivery of services.

Moray Council and Grampian Health Board, as the parties to the Integration Scheme, each nominate three voting members to the Board. Three elected members from Moray Council and three Grampian Health Board members (one executive and two non-executive members).

Under the Public Bodies (Joint Working) (Scotland) Act 2014, a range of health and social care functions have been delegated from Moray Council and Grampian Health Board to the MIJB who has assumed responsibility for the planning and operational oversight of delivery of integrated services. MIJB also has a role to play in the strategic planning of unscheduled acute hospital based services provided by Grampian Health Board. Such budgets for large hospital services continue to be managed on a day to day basis by the Grampian Health Board Acute Sector. However, MIJB has an allocated budget 'set aside' of £10.6m, designed to represent the consumption of these services by the resident population of Moray. The 3 IJB's that fall into the Grampian Health Board area are responsible for the strategic planning of these services in partnership with the Acute Sector. The overall aim of this mechanism is to shift the balance of care by reducing unnecessary, unplanned emergency admissions to hospitals whilst having alternative community arrangements that prevent this from happening. In recent months, a Scotland-wide group has been established which includes representation from Health Boards, Integration Authorities, local authorities, Audit Scotland, the Chartered Institute of Public Finance and Accountancy (CIPFA), Convention of Scottish Local Authorities (COSLA) and the Scottish Government and is designed to support the implementation of the financial aspects of the legislation and to understand the progress being made on a national level. MIJB is fully engaged in this process.

MANAGEMENT COMMENTARY (continued)

The Role and Remit of the Moray Integration Joint Board (continued)

Hosted services also form part of the MIJB budget. There are a number of services which are hosted by one of the 3 IJB's within the Grampian Health Board area on behalf of all IJBs. Responsibilities include the planning and operational oversight of delivery of services managed by one IJB on a day to day basis. MIJB has responsibility for hosting services relating to Primary Care Contracts and the Grampian Medical Emergency Department (GMED) Out of Hours service.

Key Purpose and Strategy

The main purpose of Integration is to improve the wellbeing of people who use health and social care services, particularly those whose needs are complex and involve support from health and social care at the same time. In recent years there has been increasing recognition that health and social care services for the population of Scotland will need to change in order to meet demands and expectations through early intervention and prevention. Demographics, economics and increasing care complexities are all factors that have been considered when looking at how services will be planned, co-ordinated and delivered effectively. The ultimate aim is that through integrating the design and delivery of our services we will achieve the nine National Health and Wellbeing Outcomes as prescribed by the Scottish Ministers.

On a local level and in our drive to achieve the nine outcomes, we have developed a Vision by listening to the views of the people who use health and social care services, unpaid carers and those who deliver services in Moray and the wider community.

To enable the people of Moray to lead independent, healthy and fulfilling lives in active and inclusive communities, where everyone is valued, respected and supported to achieve their own goals.

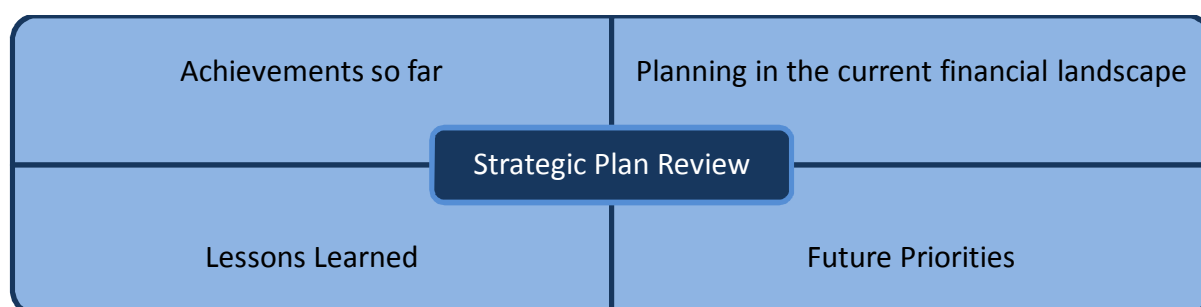
The Strategic Plan 2016-19 that was approved in April 2016 to allow the MIJB to become fully operational was developed by the Strategic Planning and Commissioning Group which was made up of stakeholders from across the wider health and social care system to include all sectors and to ensure engagement in the preparation, publication and review of the Plan. This process supported the development and agreement of the strategic priorities in Moray as follows:

MANAGEMENT COMMENTARY (continued)

Key Purpose and Strategy (continued)



In April 2017 a review of this Plan was carried out by the Strategic Planning and Commissioning group to ensure that the intentions remained relevant to the vision of the MIJB whilst the Strategic Planning and Commissioning Group drive forward the development of the Plan by overseeing planning and commissioning on behalf of the MIJB. The review of the Strategic Plan considered:



MANAGEMENT COMMENTARY (continued)

Operational Performance – A Year in View

Performance reporting is viewed as a key part of the governance processes of the MIJB. During the year a draft Performance Management Framework was developed and approved by the Board with the key aim being to allow effective monitoring of performance against the Strategic Plan, identify areas where improvements can be made and demonstrate to stakeholders that benefits are being delivered.

Throughout the year, detailed performance reports are presented to the MIJB on a quarterly basis which report progress against both national and local indicators to enable scrutiny by the Board and identify areas for improvement as well as establishing positive performance. In addition to the quarterly performance reporting to the MIJB, there is a requirement under the Public Sector (Joint Working) (Scotland) Act 2014 for the MIJB to produce and publish an Annual Performance Report setting out an assessment of performance in planning and carrying out the delegated functions for which they are responsible. The Annual Performance Report must be published by 31 July each year.

A key target for MIJB is to reduce the number of Moray residents that are ready to be sent home from hospital but have been delayed in this process. This is referred to as a 'delayed discharge'. Delayed discharge can occur due to a number of reasons but quite often involves the onward provision of social care which can be complex in nature. The table below notes performance over a two year period showing a reduction of 10% from April – June 2016 to January to March 2018:

Number of Bed Days Occupied by Delayed Discharges per quarter (inc code 9) per 1000 18+ population			
Apr – Jun 17	Jul – Sept 17	Oct – Dec 17	Jan – Mar 18
50	31	30	38
Apr – Jun 16	Jul – Sept 16	Oct – Dec 16	Jan – Mar 17
42	40	46	38

In relation to occupied bed days it is encouraging to note that the rate of emergency occupied bed days for over 65's per 1000 population has also reduced both over the year and in comparison with 16/17 as can be seen below:

Rate of Emergency Occupied Bed Days for over 65's per 1000 Population			
Apr – Jun 17	Jul – Sept 17	Oct – Dec 17	Jan – Mar 18
2558	2531	2495	2444
Apr – Jun 16	Jul – Sept 16	Oct – Dec 16	Jan – Mar 17
2567	2625	2623	2651

Another local indicator is 'Accident & Emergency percentage of people seen within 4 hours, within community hospitals'. MIJB has retained 100% performance during 2017/18 against this target.

MANAGEMENT COMMENTARY (continued)

Operational Performance – A Year in View (continued)

The 2017/18 year has seen some notable achievements in relation to transformational change:

Construction of the £2.5 million housing development in Lhanbryde began in 2016, replacing a residential facility in Forres which had become unsuitable as a care establishment for those who lived and worked there. Woodview in Lhanbryde consists of 8 bungalows, a communal area and staff office, and is designed to support people with autism and challenging behaviour with their own tenancies, in turn creating a positive impact on their quality of life.



Capital funding for the development has been provided by Moray Council with the MIJB assuming operational responsibility for the services provided.

The £2.5 million development was completed in the summer and became home to its first service users through supported tenancy in August 2017.

By the summer of 2018, all 8 of the bungalows within Woodview will be occupied. Clear objectives were set in relation to the replacement facility and to date results are extremely positive showing outstanding improvement in staff retention and incident reductions.

Transformational Change in Learning Disabilities - In response to the growing demand on health and social care services, increasing financial pressures and the commitment to deliver better personal outcomes for people who receive support, it was recognised that a greater focus on longer term life planning and changing how we deliver services was necessary. A Learning Disability Transformation Project has been established based on the 'Progression Model' which has been tried and tested in England and Wales. The progression model is a person-centred developmental approach that seeks to help each adult with a learning disability to achieve their aspirations for independence. The model calls for changes to existing systems and practices with the context of a whole system approach to significantly affect the culture and delivery of our learning disability services. The Progression model encompasses:

- New methods of professional practice and the way in which professionals relate to people with a learning disabilities and their families;
- Revision to the framework within which health and social care services operates;
- Changes to role and models of our in-house provider services; and
- The introduction of improved systems for commissioning, supporting a more effective operation of the commissioning cycle.

MANAGEMENT COMMENTARY (continued)

Operational Performance – A Year in View (continued)

It is recognised that this is a long term project and the benefits being realised will be reported to the MIJB on a periodical basis to ensure consistency to our values and the aims of the Strategic Plan.

Boogie in the Bar



Boogie in the Bar has supported the older people in Moray to increase their physical activity whilst enjoying a 'boogie' on the dance floor. Each of the two events to date have been linked to a health and wellbeing campaign, encouraging Self Care; by promoting how to reduce the risk of falls, heart health and increasing the awareness of the role of the unpaid carer. Over 250 people have attended these events. A key outcome has been to create environments where social connect can take place in an attempt to address loneliness, a now well recognised risk factor in maintaining good wellbeing.

Boogie in the Bar has been supported by community volunteers and Joanna's night club staff. Funds raised at the events have been gifted back to support local community groups.

Financial Review and Performance

The 2017/18 budget setting process was extremely challenging for the MIJB from a sustainability perspective as it considered its revenue budget in the context of a period of continuing real term reductions in funding from central government to our funding partners (Grampian Health Board and Moray Council). An indicative budget was presented to the MIJB on 30 March 2017 displaying a funding shortfall of £3.981m in respect of delivering existing services at current level. Following closure of the 2016/17 annual accounts, a net favourable position was realised creating a reserve of £2.7m. This one-off positive position, combined with further work on savings and budget pressure assessments supported a balanced budget position that was approved by the Board on 29 June 2017.

MANAGEMENT COMMENTARY (continued)

Financial Review and Performance

Financial performance forms part of the regular reporting cycle to the MIJB. Throughout the year the Board, through the reports it receives is asked to consider the financial position at a given point and any management action deemed as necessary to ensure delivery of services within the designated financial framework. From the mid-point in the financial year, the Board was presented with financial information that forecast a likely overspend position at the end of the year.

The table below summarises the financial performance of the MIJB by comparing budget against actual performance for the year.

Service Area	Budget £000's	Actual £000's	Variance (Over)/ under spend	Note
Community Hospitals	5,428	5,475	(47)	
Community Health	3,612	3,555	57	
Learning Disabilities	5,870	6,025	(155)	3
Mental Health	7,139	7,447	(308)	4
Addictions	965	1,003	(38)	
Adult Protection & Health Improvement	153	144	9	
Care Services Provided In-House	13,460	13,427	33	
Older People	16,066	16,945	(879)	2
Intermediate Care & OT	1,382	1,508	(126)	
Care Services Provided by External Contractors	10,961	11,024	(63)	
Other Community Services	7,149	7,143	6	
Administration & Management	2,687	2,569	118	
Primary Care Prescribing	16,798	17,844	(1,046)	1
Primary Care Services	15,252	15,085	167	
Hosted Services	3,885	4,061	(176)	5
Out of Area Placements	669	658	11	
Improvement Grants	980	787	193	
Total Core Services	112,456	114,700	(2,244)	
Strategic Funds (including Reserves)	4,618	1,527	3,091	
TOTALS	117,074	116,227	847	

MANAGEMENT COMMENTARY (continued)

MIJB's financial performance is presented in the comprehensive income and expenditure statement (CIES), which can be seen on page 37. At 31 March 2018 there were usable reserves of £0.847m available to the MIJB compared to £2.704m at 31 March 2017. Reserves have had to be utilised within the year to address the shortfall in funding and ensure the continuation of services. Significant pressures on the budget were notably:

Note 1 Prescribing – remains the most significant financial pressure facing the MIJB which gave rise to an overspend in year of £1 million. Prescribing is the largest budget within the services delegated to the MIJB at £16.8 million and is extremely difficult to predict due to the number of external factors influencing costs and control. Medicines management practices are in place to promote cost effective treatment options, identifying and responding to prescriber variation, reviewing patients' treatment regimens ensuring waste is minimised, however, external influences remain the predominant factor in cost control of the prescribing budget.

Note 2 Older Peoples Services & Physical and Sensory Disability – services were overspent by £0.879 million as at 31 March 2018. This primarily is due to external purchasing of care with a continuing increase in demand on services. In the main this was attributable to growth through increased care packages in the West which have risen by 30% on the level at March 2017. Additionally, there have been increases to hourly rates that have highlighted further this adverse variance.

Note 3 Learning Disabilities - the Learning Disability service was overspent by £0.155m at the year-end. The overspend is primarily due to the purchase of care for people with complex needs, including young people transferring from Children's services. This is offset by underspends on staffing (£0.129m) that has existed throughout this financial year, mainly relating to physiotherapy, speech and language and psychology services. The Learning Disability Transformation Programme is in its implementation phase which will enable the system to be confident that people are being supported in the best way to ensure they have the right kind of support to become as independent as possible. Demographics suggest that the number of people with a learning disability will continue to increase, and whilst these people will live longer with more complex needs this creates additional financial pressure in the system.

Note 4 Mental Health – services were overspent at the end of the year by £0.308m. In the main this was due to senior medical staff costs including locums (£0.181m), nursing and other staff (£0.073m). There are clear obligations that exist in relation to mental health consultants and the responsibility for ensuring the clinical needs are met fall to NHS Grampian whilst the financial impact directly affects the MIJB. This continues to be closely monitored.

Note 5 Hosted Services – are operated and managed on a Grampian wide basis. Hosting arrangements means that one IJB within the Grampian Health Board area hosts the service on behalf of all 3 IJB's. Strategic planning for the use of hosted services is undertaken by the 3 IJB's for their respective populations. MIJB has responsibility for hosting the Grampian Medical Emergency Department (GMED) and Primary Care Contracts. The overspend for the year on hosted services was £0.176m, this is representative of Moray's share of all hosted services within Grampian. The overall recharge includes overspends on Sexual Health, Marie Curie nursing, Police Forensic Examiners and GMED, which is reduced by underspends in Intermediate Care, Diabetes & Retinal Screening and HMP Grampian.

MANAGEMENT COMMENTARY (continued)

Financial Review and Performance (continued)

Set Aside - Included within the CIES is £10.593m for Set Aside services. Set Aside is an amount representing resource consumption for large hospital services that are managed on a day to day basis by the NHS Grampian Acute Sector or Mental Health Service. MIJB has a responsibility for the strategic planning of these services in partnership with the Acute Sector and Mental Health services which are:

- In-patient hospital services provided at Aberdeen Royal Infirmary and Dr Gray's Hospital Elgin for the areas of General Medicine, Geriatric Medicine, Rehabilitation Medicine, Respiratory Medicine, Palliative Care (Roxburghe House Aberdeen) and Accident & Emergency.
- Accident & Emergency attendances at Aberdeen Royal Infirmary and Dr Gray's.
- In-patient psychiatric services at Royal Cornhill Hospital Aberdeen and learning disability services at Elmwood Hospital Aberdeen.

The budget allocated to Moray is designed to represent the consumption of these services by the Moray population. During 2017/18, the Information Services Division (ISD) provided health boards with updated set aside activity for the 2016/17 financial year. This information can be summarised as follows:

	2017/18	2016/17
Budget	10.593m	10.163m

	2016/17	2014/15
Number of Bed Days and A&E attendances	48,415	44,869

The increase in the set aside budget of £0.430m can be split between:

- An increase of £0.757m being due to the increased number of bed days
- A reduction of £0.327m being due to changes in direct unit costs

MANAGEMENT COMMENTARY (continued)

Risks, Uncertainties and Future Developments

When the MIJB was established, the Chief Officer had a responsibility to develop a risk strategy and risk reporting framework. Risks inherent within the MIJB are monitored, managed and reported at each meeting of the Audit and Risk Committee. The key strategic risks embedded within the strategic risk register together with an assessment of the level of risk are as follows:

VERY HIGH	HIGH
There is a risk of MIJB financial failure with demand outstripping available budget. Financial settlements to the MIJB continue to reduce	The Integration Joint Board (IJB) does not function as set out within the Integration Scheme, Strategic Plan and Schemes of Delegation and fails to deliver its objectives or expected outcomes
MEDIUM	LOW
<p>Inability to recruit and retain qualified and experienced staff whilst ensuring staff are fully able to manage change.</p> <p>Inability to demonstrate effective governance and ineffective communication with stakeholders</p> <p>Inability to deal with unforeseen external emergencies or incidents is compromised by inadequate emergency planning and resilience.</p> <p>Risk to MIJB decisions resulting in litigation/judicial review. Expectations from external inspections are not met</p> <p>Inability to achieve progress in relation to national Health and Wellbeing Outcomes. Performance falls below acceptable level.</p> <p>Requirements for IT and Property are not prioritised by NHS Grampian and Moray Council</p>	Risk of major disruption in continuity of ICT operations and data security is compromised

Given the MIJB has only been operational for two years gives us the opportunity to continue to refine and embed our governance process as we continue to strive to deliver on the policy objectives set out in the legislation surrounding health and social care integration.

Development Aims for 2018/19

Throughout 2018/19 a range of themed workshops are scheduled to drive forward the development of the new Strategic Plan 2019 - 22. We will continue to communicate with all stakeholders to ensure inclusion and engagement in developing a Plan that is fit for the future as we endeavour to achieve systematic and transformational change. The new Strategic Plan will consider the service and cost pressures that have been identified to date and ensure these are considered as we continue to shape the future of health and social care services across Moray. In addition we will seek to:

MANAGEMENT COMMENTARY (continued)

Development Aims for 2018/19 (continued)

- continue to monitor, evaluate and report on our transformational projects to ensure we remain consistent with our strategic aims;
- continue to develop our performance management framework;
- continue to develop our governance framework;
- embed and report on locality working;
- implement and monitor the implications of the Carers Act
- approve a primary care improvement plan alongside the implementation of the new General Practice Contract
- ensure a medium term financial strategy is in place to run parallel with the Strategic Plan
- develop a workforce plan to support the delivery of the new Strategic Plan
- continue to work closely with all partners to ensure we maximise potential across the whole health and social care system.
- Work closely with NHS Grampian and nationally to realise the potential of the unscheduled pathways and any opportunities to reshape the budget in relation to shifting the balance of care.

.....
Shona Morrison

**Chair of Moray IJB
Officer**

27 September 2018

.....
Pam Gowans

Chief Officer

.....
Tracey Abdy

Chief Financial

STATEMENT OF RESPONSIBILITIES

Responsibilities of the MIJB

- To make arrangements for the proper administration of its financial affairs and to secure that it has an officer responsible for the administration of those affairs. In Moray Integration Joint Board, that officer is the Chief Financial Officer;
- To manage its affairs to achieve best value in the use of its resources and safeguard its assets;
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- To approve the Annual Accounts.

I confirm that these Annual Accounts were approved by the MIJB on 27 September 2018.

Signed on behalf of the Moray Integration Joint Board.

.....

Shona Morrison

Chair of Moray IJB

27 September 2018

STATEMENT OF RESPONSIBILITIES (continued)

Responsibilities of the Chief Financial Officer

The Chief Financial Officer is responsible for the preparation of the Moray Integration Joint Board's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the Annual Accounts the Chief Financial Officer has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with legislation; and
- Complied with the local authority code (in so far as it is compatible with legislation)

The Chief Financial Officer has also:

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

I certify that the financial statements give a true and fair view of the financial position of the Moray Integration Joint Board for the year ending 31 March 2018 and the transactions for the year then ended.

.....

Tracey Abdy CPFA

Chief Financial Officer

27 September 2018

REMUNERATION REPORT

Introduction

This Remuneration Report is provided in accordance with the Local Authority Accounts (Scotland) Regulations 2014 (SSI2014/200) as part of the MIJB annual accounts. This report discloses information relating to the remuneration and pension benefits of specified MIJB members.

All information disclosed in the tables is subject to external audit. Other sections within the Remuneration Report will be reviewed for consistency with the financial statements.

Moray Integration Joint Board

The voting members of MIJB are appointed through nomination by Moray Council and the Grampian Health Board. There is provision within the Order to identify a suitably experienced proxy or deputy member for both the voting and non-voting membership to ensure that business is not disrupted by lack of attendance by any individual.

MIJB Chair and Vice-Chair

Nomination of the MIJB Chair and Vice-Chair post holders alternates every 18 months between a Councillor and a Health Board non-executive member.

The MIJB does not provide any additional remuneration to the Chair, Vice-Chair or any other board members relating to their role on the MIJB. The MIJB does not reimburse the relevant partner organisations for any voting member costs borne by the partner.

The MIJB does not have responsibilities in either the current or in future years for funding any pension entitlements of voting MIJB members. Therefore no pension rights disclosures are provided for the Chair or Vice-Chair.

Taxable Expenses 2016/17	Name	Position Held	Nomination By	Taxable Expenses 2017/18
£		£	£	£
Nil	Christine Lester	Chair	Grampian Health Board	Nil
Nil	Cllr Frank Brown	Vice-Chair	Moray Council	Nil

Officers of the MIJB

The MIJB does not directly employ any staff in its own right; however specific post-holding officers are non-voting members of the Board.

REMUNERATION REPORT (continued)

Chief Officer

Under section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014 a Chief Officer for the integration joint board has to be appointed and the employing partner has to formally second the officer to the Board. The employment contract for the Chief Officer will adhere to the legislative and regulatory framework of the employing partner organisation. The remuneration terms of the Chief Officer's employment are approved by the Board.

Other Officers

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

Total 2016/17	Senior Employees	Salary, Fees & Allowances	Taxable Expenses	Total 2017/18
£		£	£	£
93,288	Pamela Gowans Chief Officer	93,391	1,619	95,010
	Tracey Abdy Chief Financial Officer (1.7.17 -31.3.18)	42,680 FYE* 57,232	0	42,680

*FYE = Full Year Effect

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

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

REMUNERATION REPORT (continued)

	In Year Pension Contributions		Accrued Pension Benefits		
	Year to 31/03/17	Year to 31/03/18		As at 31/03/2018	Difference from 31/03/2017
	£	£		£ 000's	£ 000's
Pamela Gowans Chief Officer	13,454	13,915	Pension	30	3
			Lump Sum	75	3
Tracey Abdy Chief Financial Officer 1.7.17 - 31.3.18	0	6,606	Pension	13	N/A
			Lump Sum	18	N/A

Disclosure by Pay bands

As required by the regulations, the following table shows the number of persons whose remuneration for the year was £50,000 or above, in bands of £5,000.

Number of Employees in Band 2016/17	Remuneration Band	Number of Employees in Band 2017/18
1	£90,000 - £94,999	-
-	£95,000 - £99,999	1

Exit Packages

There were no exit packages agreed by the MIJB during 2017/18 financial year, or in the preceding year.

.....
Shona Morrison

Chair of Moray IJB

27 September 2018

.....
Pam Gowans

Chief Officer

ANNUAL GOVERNANCE STATEMENT

The Annual Governance Statement describes the Moray Integration Joint Board's (MIJB) governance arrangements and reports on the effectiveness of the MIJB's system of internal control.

Scope of Responsibility

The MIJB is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards. That public money is safeguarded and used efficiently and effectively in pursuit of best value.

In discharging this responsibility, the MIJB has established arrangements for its governance which includes the system of internal control. This system is intended to manage risk and support the achievement of the MIJB's policies, aims and objectives. Reliance is placed on The Grampian Health Board and Moray Council systems of internal control that support compliance with both organisations' policies and promotes achievement of each organisation's aims and objectives; to the extent that these are complementary to those of the MIJB. The system provides reasonable but not absolute assurance of effectiveness.

The Governance Framework

The CIPFA/SOLACE framework for 'Delivering Good Governance in Local Government' was updated in 2016 and provides a structured approach in defining the principles that should underpin the governance arrangements. Whilst the framework is written specifically for Local Government, the principles are applicable to integration authorities.

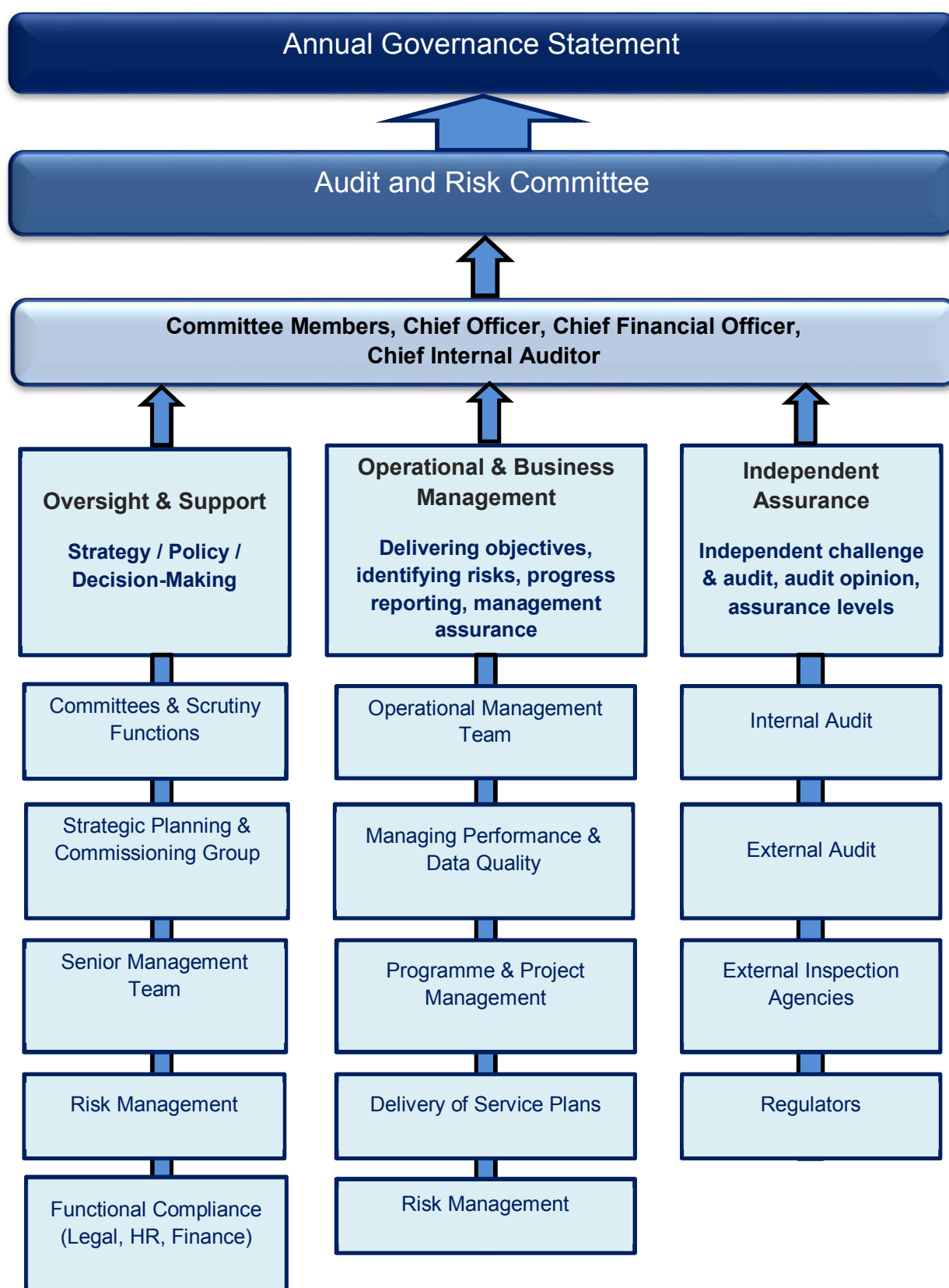
Given the scope of responsibility within the MIJB and the complexities surrounding the assurance arrangements it was considered appropriate to develop a Local Code of Corporate Governance based on the framework and adopting the principles by which to evaluate performance. In December 2017, the Audit and Risk Committee of the MIJB approved their Local Code of Corporate Governance.

The MIJB's Local Code of Corporate Governance outlines the seven governance principles and provides the proposed sources of assurance for assessing compliance against these principles and the origin of these assurances in respect of the MIJB, Moray Council and NHS Grampian.

The diagram on page 21 outlines the MIJB's governance assurance framework.

ANNUAL GOVERNANCE STATEMENT (continued)

WHAT IS THE MORAY INTEGRATION JOINT BOARD'S GOVERNANCE ASSURANCE FRAMEWORK?



ANNUAL GOVERNANCE STATEMENT (continued)

The MIJB has assessed the effectiveness of its governance arrangements against the principles set out in the Local Code of Corporate Governance.

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

Behaving with Integrity

The MIJB has a Board and two separate committees, specifically, Audit & Risk and Clinical & Care Governance to promote high standards of member conduct. On 5 July 2016, the MIJB Code of Conduct was formally approved by Scottish Government, The Code exists to ensure Members exercise leadership through exemplary standards of behaviour and that values are established and replicated effectively throughout the organisation.

Demonstrating Strong Commitment to Ethical Values

At a meeting of the MIJB on 26 October 2017, Alasdair McEachan (Head of Legal and Democratic Services, Moray Council) was formally nominated for approval by the Standards Commission as the Standards Officer of the MIJB for a further period of 18 months until April 2019. At the same meeting, the MIJB also approved the formal nomination of two Depute Standards Officers for the same period and from existing Moray Council staff.

Arrangements exist to ensure that Members are not influenced by prejudice, bias or conflicts of interest in dealing with stakeholders. The Standards Officer assumes responsibility for a number of duties which includes holding various key documents for the Board and advising and guiding Members of the Board on issues of conduct. The Standards Officer ensures the Board keeps Registers of Interest and records of Gifts and Hospitality.

Respecting the Rule of Law

On 9 August 2017, the MIJB appointed an independent Chief Financial Officer in-line with the legislative requirement and to ensure accountability for the proper administration of the Board's financial affairs.

The MIJB has the support of a legal adviser, an equalities adviser and data protection adviser.

Governance Principle 2 – Ensuring openness and comprehensive stakeholder engagement

Ensuring Openness

The Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014 obliges the MIJB to agree Standing Orders to regulate its meetings and those of its committees. Provision is made within MIJB's Standing Orders for public and press access to meetings and reports. The MIJB has continued to enhance this process and 2017/18 has seen the development of a specific website for Health and Social Care Moray where agendas, reports and minutes for all committees can be accessed and assessment can be made on whether decisions have been made in the public interest.

ANNUAL GOVERNANCE STATEMENT (continued)

Governance Principle 2 – Ensuring openness and comprehensive stakeholder engagement (continued)

Stakeholder Engagement

Both the voting and non-voting membership arrangements of the MIJB are set out in the Health and Social Care Integration Scheme for Moray and are in line with the Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014. The non-voting membership comprises six professional members and five stakeholder members representing the following groups: staff, third sector bodies carrying out activities in relation to health and social care, service users and unpaid carers, and two additional non-voting members.

The Community Empowerment (Scotland) Act 2015 places a statutory duty on MIJB and its Community Planning Partners to engage with communities on the planning and delivery of services and securing local outcomes.

The MIJB at its meeting of 31 August 2017 approved its Communication and Engagement Strategy 2017-19 with a commitment to review on an annual basis. The MIJB engage in a diverse range of methods and activities to ensure stakeholder engagement and augment understanding when considering public and service user views. This year has seen an increase in the use of social media to promote events and establish opinion, and community engagement events have been well attended.

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

Defining Outcomes

The MIJB Strategic Plan 2016 -19 sets out the priorities in improving the health and wellbeing for the adult population of Moray through redesign and delivery of integrated services consistent with the policy objectives of The Public Bodies (Joint Working) (Scotland) Act 2014. The Strategic Planning and Commissioning Group has continued to evolve throughout 2017/18 to incorporate both business meetings where the aim is to drive forward the Strategic Plan by overseeing the elements of delivery on behalf of the MIJB and also through workshop events ensuring stakeholder engagement in the future planning processes.

In January 2018, the MIJB approved a Performance Management Framework (PMF) following a request from the Chief Officer for a review of the performance reporting arrangements. A review was considered necessary in establishing improvements to reporting but fundamentally, the development of a PMF, relating to the Strategic Plan. The key aims of the framework are to allow effective monitoring of performance against the Strategic Plan, identify areas where improvements are required, and demonstrate to stakeholders the benefits that are being delivered.

The 2017/18 Scottish Government funding settlement, for both health boards and local authorities, announced in December 2016 were significantly more challenging than was anticipated and so had an adverse impact on the onward negotiation of funding to the MIJB. Whilst the strategic outcomes and intent remain unchanged, the challenge is to ensure that the economic impacts of decisions taken are highlighted as there is likely to be insufficient funding to maintain current levels of service in the current and future years.

ANNUAL GOVERNANCE STATEMENT (continued)

Governance Principle 4 – Determining the interventions necessary to optimise the achievement of intended outcomes

Determining Interventions

The MIJB's decision making process ensures that the members of the Board receive objective and robust analysis of a variety of options indicating how the intended outcomes will be achieved, providing information on the associated risks and opportunities. Public involvement and engagement is undertaken to ensure that feedback from citizens and service users are fully considered when making recommendations regarding service improvements / changes.

Optimising Achievement of Intended Outcomes

The Strategic Plan 2016 -19 set out an indicative financial requirement to deliver the agreed priorities and ensure progress in meeting the national health and wellbeing outcomes. Acknowledgment has been given to the need to develop this further and so progress has been made in the production of a Medium Term Financial Strategy. A Medium Term Financial Strategy is designed to outline how the available financial resources will be deployed in order to deliver the priorities as set out within the Strategic Plan. The uncertain financial climate being experienced by public sector organisations has emphasised the importance of medium term financial planning with the requirement to reconsider on an annual basis.

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

Developing Capacity

The MIJB has developed both its Organisational and Workforce plans to support a culture that will assist change and enable people, their skills, behaviours, capabilities and effectiveness to achieve the performance required to ensure the MIJB can deliver on its strategic priorities. The MIJB continues to engage and involve a wide range of stakeholders within its working groups in order to develop capacity and expand on its learning experiences.

Developing Leadership Capability

Training and development for members is provided mainly in the form of briefings and development sessions. Workshops are provided to cover emerging issues, these being provided by staff from Moray Council and The Grampian Health Board, or by representatives from other government agencies and partner bodies.

The Chief Officer represents the MIJB in a leadership, governance or advisory capacity on a variety of national groups including digital health, community interest, surgical transformation board, elective care transformation board and is the Chair of the transforming cancer after treatment group.

ANNUAL GOVERNANCE STATEMENT (continued)

Governance Principle 6 – Managing risk and performance through robust internal control and strong public financial management

Managing Risk

The MIJB has a Risk Strategy that is updated at regular intervals and clearly defines the roles and responsibilities for managing risk and is an integral part of business and decision making. Strategic Risk Registers are reviewed regularly and reported to the Audit and Risk Committee at each cycle.

Managing Performance

A performance management framework has been developed and performance is reported quarterly setting out Moray's performance against national and local indicators. Officers have been engaged with a national group developed to support the requests from the Scottish Governments Ministerial Strategic Group to measure objectives and demonstrate progress against designated key performance indicators.

Robust Internal Control

The internal control system links closely with those of the Partners, given their operational remit for delivery of services under direction of the MIJB. MIJB internal control arrangements are specified in the Financial Regulations developed to be used in conjunction with The Grampian Health Board and Moray Council's financial regulations and the MIJB Integration Scheme. An Audit and Risk committee through its consideration of reports monitors the effectiveness of internal control procedures.

Financial Management

Financial management procedures are secured through the work of the Chief Financial Officer appointed in terms of section 95 of the Local Government (Scotland) Act 1973. This Officer is an appointment to the Board and provides advice to the MIJB on all financial matters and ensures the timely production and reporting of budget estimates, budget monitoring reports and annual accounts

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

Good Practice - Transparency

MIJB business is conducted through an established cycle of Board meetings which are held in public, and the agendas, reports and minutes are available for the public to inspect. There is a standard reporting format in place to ensure consistency of approach and consideration by Members to provide transparency in decision making.

Good Practice - Reporting

The published Annual Accounts is the statutory summary of the MIJB's financial affairs for the financial year. The purpose of this is to provide clear information on the income, expenditure of the Board and its performance through the Management Commentary. There is also a statutory requirement on the MIJB to publish an Annual Performance Report by 31 July each year which gives an assessment of performance against the functions for which it is responsible. July 2017 saw the publication of the MIJB's first Annual Performance Report.

ANNUAL GOVERNANCE STATEMENT (continued)

Governance Principle 7 – Implementing good practices in transparency, reporting and audit to deliver effective accountability (continued)

Good Practice - Audit

In developing audit arrangements regard has been made to the published guidance on 'The Role of the Head of Internal Audit in Public Organisations' (CIPFA) and to 'Public Sector Internal Audit Standards' (CIPFA). Internal audit terms of reference have been established, and the Chief Internal Auditor reports directly to the Audit and Risk committee with the right of access to the Chief Officer, Chief Financial Officer and Chair of the Audit and Risk committee on any matter.

The Audit and Risk Committee approved an Internal Audit Plan presented to it by the Chief Internal Auditor to the MIJB. The plan outlined the planned internal audit coverage for the year. Progress against the Plan has been reported regularly throughout the year.

Review of Adequacy and Effectiveness

The MIJB has a responsibility to review the effectiveness of its governance framework including the system of internal control and to produce an Annual Governance Statement. This work is pursued throughout the year. The key roles of those responsible for developing and maintaining an effective governance framework are described in the table 'key roles within the Governance Framework' on pages 29 and 30.

The Grampian Health Board and Moray Council

MIJB has placed reliance on the systems and procedures of its principal Partners, the Grampian Health Board and Moray Council. The Partners have maintained governance arrangements applicable to their respective organisations which are summarised annually and published in their Annual Governance Statements which form part of the annual accounts of each organisation. Moray Council has a duty under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement in the way in which its functions are exercised. The Grampian Health Board is required to operate within the aspects of the Scottish Public Finance Manual (SPFM) issued by Scottish Ministers. The SPFM sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for efficiency, effectiveness and economy and promotes good practice and high standards of propriety.

For the 2017/18 review period, the Chief Executive of Grampian Health Board has confirmed that he is not aware of any outstanding significant control weaknesses or other failures to achieve the standards set out in the guidance that applies to NHS Boards in relation to governance, risk management and internal control. Likewise, Moray Council has reviewed its governance arrangements in line with the CIPFA/SOLACE framework and concluded that these essentially remain fit for purpose, recognising the not inconsiderable political and financial challenges it faces in the period ahead.

Internal Audit

The Chief Internal Auditor to the MIJB was reappointed for a further period of two years to 31 March 2020. The Chief Internal Auditor has responsibility for the MIJB's internal audit function and is professionally qualified and suitably experienced to lead and direct internal audit staff. The requirement of the appointment is to report to the Audit and Risk committee of the MIJB on the proposed annual audit plan, the ongoing delivery of the plan as well as reporting on the outcome of reviews undertaken and to submit an annual report.

ANNUAL GOVERNANCE STATEMENT (continued)

Internal Audit (continued)

While the services delivered under Direction of the MIJB are extensive, the principal assurances on the systems of internal financial control continue to be drawn from audit work completed within the partner bodies (Grampian Health Board and Moray Council). Additional assurances for the MIJB came from audit projects covering the use of strategic change funds and performance reporting. In both areas appropriate systems of control had been established with recommendations focusing on the need to further develop reporting of outcomes to evidence the impact of planned service improvements.

Based on the assurances available from the partner bodies and from audit work completed it is the opinion of the Chief Internal Auditor that reasonable assurance can be placed on the MIJB's internal financial control systems in place for the year ended 31 March 2018.

External Agencies

Aspects of the MIJB's governance arrangements are subject to consideration in various inspection reports by the external auditor and by service inspectorates. The foundations have been established for the MIJB to respond positively to the recommendations arising from inspection reports where these provide opportunities to strengthen governance arrangements.

The MIJB is subject to external scrutiny through external auditors by the Accounts Commission to provide an opinion on the MIJB's annual accounts and conduct such other work that they may deem necessary or by request from the MIJB or its Audit and Risk committee.

ANNUAL GOVERNANCE STATEMENT (continued)

KEY ROLES WITHIN THE GOVERNANCE FRAMEWORK

The Moray Integration Joint Board	Members appointed in accordance with the Integration Scheme ensuring a wide representation through its membership. Key decision makers in the planning and delivery of integrated services.
Audit & Risk Committee	To assist in ensuring a robust framework for risk management, governance and internal control and to provide effective scrutiny of the MIJB and its functions.
Clinical & Care Governance Committee	Ensures safe, effective and high quality care and to provide assurance to statutory post holders in relation to effective services.
Grampian Health Board	Principal Partner for which the MIJB places reliance on the systems and procedures in maintaining adequate governance arrangements.
Moray Council	Principal Partner for which the MIJB places reliance on the systems and procedures in maintaining adequate governance arrangements.

ANNUAL GOVERNANCE STATEMENT (continued)

Chief Officer	Overall strategic & operational responsibility to MIJB. Line managed by the Chief Executives of the partner bodies
Chief Financial Officer	Statutory responsibility for the financial administration of the MIJB in terms of s95 of the 1973 Act.
Standards Officer	Responsibility for key duties including holding key documents for the MIJB and advising and guiding Board Members on issues of conduct and propriety.
Internal Audit	Assurance function that provides an independent and objective opinion to the MIJB on the control environment. Delivers an annual programme of risk based audit activity and reports through the Audit and Risk Committee of the MIJB.
External Audit	External Audit appointed by the Accounts Commission to provide an opinion on the MIJB's annual accounts (including the Annual Governance Statement).
External Agencies	Reviews and inspection reports produced through external service inspectorates providing opportunities to strengthen governance arrangements and improve performance.

ANNUAL GOVERNANCE STATEMENT (continued)

Significant Governance Issues

Securing good governance continues to be a key focus of the MIJB, its committees and senior management. This is a significant undertaking within a challenging financial climate and a commitment to deliver an ambitious Strategic Plan and programme of redesign within challenging time scales.

The Annual Governance Statement for 2016/17 highlighted, through a review of adequacy and effectiveness, a number of areas for development in looking to ensure continual improvement. An action plan was produced and an assessment of progress has been provided below:

Area for Improvement Identified in 2016/17	Action Undertaken / Progress Made in 2017/18
Development of an assurance framework to include production of a Local Code of Corporate Governance based on the requirements of the CIPFA/SOLACE guidance of 2016.	<i>Local Code of Corporate Governance developed and co-ordinated with NHS Grampian and Moray Council and approved by the Audit and Risk Committee in December 2017.</i>
Improvements in financial reporting providing clarity to members and stakeholders. Directions to be issued in-line with legislation.	<i>Financial reporting formats have been developed providing enhanced detail around budget pressures and savings to assist decision making. This will continue to evolve as locality planning becomes embedded. Directions are issued as part of each financial monitoring cycle, reflecting the budget position and impact on funding partners.</i>
Development of a Communications and Engagement Strategy. Development of a designated website.	<i>Strategy approved by the MIJB in August 2017. A designated Health and Social Care Moray website was launched in June 2017.</i>
Developments surrounding the Set Aside budget.	<i>This has been addressed locally through discussions with NHS Grampian and MIJB members informed through development sessions. This is also an area being driven nationally by Scottish Government and a specific working group has been established.</i>
Implementation of agreed audit reporting arrangements providing assurance to the Audit and Risk committee of the MIJB.	<i>The Chief Internal Auditor reports on audit issues including progress against the agreed audit plan on a quarterly frequency.</i>

ANNUAL GOVERNANCE STATEMENT (continued)

Significant Government Issues (continued)

Area for Improvement Identified in 2016/17	Action Undertaken / Progress Made in 2017/18
Development of performance reporting.	<i>Draft Performance Management Framework approved by the MIJB in January 2018. Regular performance monitoring to the MIJB has been refined and continues to evolve to ensure meaningful representation to the MIJB.</i>
Locality Planning to be a focus led by intensive engagement with communities.	<i>Locality planning is under continuous development. Strategic Planning workshops have ensured wide stakeholder engagement. Forres has been an area of focus during 2017/18 seeing the establishment of a core group and community involvement sessions have been held throughout the year.</i>
Review and refinement of the procurement approach.	<i>Discussions have been held continuously with Moray Council with the aim of developing process and approach. Initial conversations have been held with neighbouring areas to consider opportunities however this will remain an area of focus for 2018/19.</i>

In the prior year, the annual governance statement identified areas of challenge in relation to progressing the objectives and principles of integration whilst working closely with Partners, achieving financial balance and ensuring established performance reporting procedures. These areas remain very much a focus as they reflect longer term objectives and so will continue to feature as significant governance issues in future periods.

The key governance challenges going forward will involve:

- Enabling the MIJB to move forward within a difficult financial framework whilst striving to drive the pace of change through redesign.
- Working closely with all key stakeholders to develop the next iteration of the Strategic Plan to be prepared, approved and ready for implementation by 1 April 2019.

ANNUAL GOVERNANCE STATEMENT (continued)

Further Developments

Following consideration of the review of adequacy and effectiveness, the following action plan has been established to ensure continual improvement of the MIJB's governance arrangements and progress against the implementation of these issues will be assessed as part of the next annual review.

	Area for Improvement and Outcome to be Achieved
1.	Drive forward the arrangements surrounding the Set Aside budget at both a local level and ensuring close observation on the developments nationally. Closer involvement with the strategic planning element of the Set Aside budget is required in order to meet the outcomes set out in this key policy objective.
2.	Emphasis should be placed on Locality Planning as set out within the legislation. Planning and preparation of the next Strategic Plan within the year will ensure a focus is maintained in this area developing enhanced community engagement within the Moray localities.
3.	Performance Management Framework (PMF) – The draft PMF was approved by the MIJB in January 2018. The focus for the forthcoming year will be to ensure the implementation of this framework whilst continuing to develop locality and service based improvement indicators.
4.	There has been some slippage in the planned Internal Audit activity and the Moray Council has made available additional staff resource in the audit team to support delivery of a level of audit coverage commensurate with the evolution of the MIJB. Monitoring of progress will continue through the Audit and Risk Committee.
5.	We will continue to develop our governance framework through learning experienced during these early years of integration.

Statement

In our respective roles as Chair and Chief Officer of the MIJB, we are committed to good governance and recognise the contribution it makes to securing delivery of service outcomes in an effective and efficient manner. This annual governance statement summarises the MIJB's current governance arrangements, and affirms our commitment to ensuring they are regularly reviewed and remain fit for purpose. Whilst recognising that improvements are required, as detailed above, it is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the MIJB's governance environment.

ANNUAL GOVERNANCE STATEMENT (continued)

Statement (continued)

While pressure on financial settlements is set to continue during the incoming period, we will continue to engage with our Partners and the wider community to agree plans and outcome targets that are both sustainable and achievable. Taking those forward will be challenging as we aim to fulfil the nine Health and Well-being national outcomes and the strategic priorities identified and detailed in our Strategic Plan. Good governance will remain essential in delivering services in a way that both meets the needs of communities and discharges statutory best value responsibilities.

.....
Shona Morrison

Chair

27 September 2018

.....
Pam Gowans

Chief Officer

INDEPENDENT AUDITORS REPORT

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

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Moray Integration Joint Board for the year ended 31 March 2018 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the 2017/18 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the body as at 31 March 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the body's ability to continue

to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Chief Financial Officer and Audit, Performance and Risk Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Moray Integration Joint Board is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

Other information in the annual accounts

The Chief Financial Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material

misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

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

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

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

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my 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
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Brian Howarth, ACMA CGMA
Audit Director
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

September 2018

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the cost of providing services for the year ended 31 March 2018 according to generally accepted accounting practices.

2016/17		2017/18
Net Expenditure		Net Expenditure
£ 000		£ 000
5,520	Community Hospitals	5,475
3,654	Community Nursing	3,555
5,288	Learning Disabilities	6,025
7,405	Mental Health	7,447
823	Addictions	1,003
165	Adult Protection & Health Improvement	144
13,047	Care Services Provided In-House	13,427
16,267	Older People & Physical & Sensory Disability Services	16,945
1,629	Intermediate Care and Occupational Therapy	1,508
9,946	Care Services Provided by External Providers	11,024
7,169	Other Community Services	7,143
2,703	Administration & Management	2,569
17,304	Primary Care Prescribing	17,844
14,890	Primary Care Services	15,085
3,681	Hosted Services	4,061
525	Out of Area Placements	658
930	Improvement Grants	787
875	Strategic Funds	1,526
10,163	Set Aside	10,593
121,984	Cost of Services	126,819
(124,688)	Taxation and Non-Specific Grant Income (note 5)	124,962
(2,704)	(Surplus) or Deficit on provision of Services	1,857
(2,704)	Total Comprehensive Income and Expenditure	1,857

There are no statutory or presentational adjustments which reflect the MIJB's application of the funding received from partners. The movement in the General Fund balance is therefore solely due to the transactions shown in the Comprehensive Income and Expenditure Statement. Consequently, an Expenditure and Funding Analysis is not provided in these annual accounts.

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the Moray Integration Joint Boards (MIJB) reserves. The movements which arise due to statutory adjustments which affect the General Fund balance are separately identified from the movements due to accounting practices.

Movement of Reserves During 2017/18	General Fund Balance £000
Opening Balance at 1 April 2017	(2,704)
Total Comprehensive Income and Expenditure	1,857
Adjustments between accounting basis and funding basis Under regulations	0
(Increase) or Decrease in 2017/18	1,857
Closing Balance at 31 March 2018	(847)
Movement of Reserves During 2016/17	General Fund Balance £000
Opening Balance at 1 April 2016	0
Total Comprehensive Income and Expenditure	(2,704)
Adjustments between accounting basis and funding basis Under regulations	0
Increase or Decrease in 2016/17	(2,704)
Closing Balance at 31 March 2017	(2,704)

BALANCE SHEET

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

31 March 2017 £000		Notes	31 March 2018 £000
2,704	Short Term Debtors	6	847
	Current Assets		
0	Short Term Creditors		0
	Current Liabilities		
0	Provisions		0
	Long Term Liabilities		
2,704	Net Assets		847
2,704	Usable Reserve General Fund	7	847
	Unusable Reserve:		
2,704	Total Reserves		847

The unaudited annual accounts were issued on 28 June 2018 and the audited annual accounts were authorised for issue on 27 September 2018. The Annual Accounts present a true and fair view of the financial position of the MIJB as at 31 March 2018 and its income and expenditure for the year then ended.

Tracey Abdy CPFA

Chief Financial Officer

27 September 2018

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Significant Accounting Policies

General Principles

The Financial Statements summarises the Moray Integration Joint Board's (MIJB) transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018.

The MIJB was established under the requirements of the Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Act 2014 and is a Section 106 body as defined in the Local Government (Scotland) Act 1973.

The Financial Statements are therefore prepared in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS), unless legislation or statutory guidance requires different treatment.

The accounts are prepared on a going concern basis, which assumes that the MIJB will continue in operational existence for the foreseeable future. The historical cost convention has been adopted.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when settlement in cash occurs. In particular:

- Expenditure is recognised when goods or services are received and their benefits are used by the MIJB
- Income is recognised when the MIJB has a right to the income, for instance by meeting any terms and conditions required to earn the income, and receipt of the income is probable.
- Where income and expenditure have been recognised but settlement in cash has not taken place, a debtor or creditor is recorded in the Balance Sheet.
- Where debts may not be received, the balance of debtors is written down

Funding

The MIJB is primarily funded through funding contributions from the statutory funding partners, Moray Council and the Grampian Health Board. Expenditure is incurred as the MIJB commissions' specified health and social care services from the funding partners for the benefit of service recipients in Moray area.

Cash and Cash Equivalents

The MIJB does not operate a bank account or hold cash. Transactions are settled on behalf of the MIJB by the funding partners. Consequently the MIJB does not present a 'Cash and Cash Equivalent' figure on the balance sheet. The funding balance due to or from each funding partner as at 31 March is represented as a debtor or creditor on the MIJB's Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 Significant Accounting Policies (continued)

Employee Benefits

The MIJB does not directly employ staff. Staff are formally employed by the funding partners who retain the liability for pension benefits payable in the future. The MIJB therefore does not present a Pensions Liability on its Balance Sheet.

The MIJB has a legal responsibility to appoint a Chief Officer. More details on the arrangements are provided in the Remuneration Report. The charges from the employing partner are treated as employee costs. Where material the Chief Officer's absence entitlement as at 31 March is accrued, for example in relation to annual leave earned but not yet taken.

Charges from funding partners for other staff are treated as administration costs.

Reserves

The MIJB's reserves are classified as either Usable or Unusable Reserves.

The MIJB's only Usable Reserve is the General Fund. The balance of the General Fund as at 31 March shows the extent of resources which the MIJB can use in later years to support service provision.

Indemnity Insurance

The MIJB has indemnity insurance for costs relating primarily to potential claim liabilities regarding Board members. The Grampian Health Board and Moray Council have responsibility for claims in respect of the services that they are statutorily responsible for and that they provide.

Unlike NHS Boards, the MIJB does not have any 'shared risk' exposure from participation in the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS). The MIJB participation in the CNORIS scheme is therefore analogous to normal insurance arrangements.

Note 2 Critical Judgements and Estimation Uncertainty

In applying the accounting policies, the MIJB has had to make certain judgements about complex transactions or those involving uncertainty about future events. There are no material critical judgements and the note below relates to uncertainty about future events:

Public Sector Funding – There is a high degree of uncertainty about future levels of funding for Local Government and Health Boards and this will directly impact on the MIJB.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 3 Events after the Reporting Period

The unaudited accounts were issued by Tracey Abdy, Chief Financial Officer on 28 June 2018 and the audited accounts were authorised for issue on 27 September 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 4 Expenditure and Income Analysis by Nature

Restated 2016/17		2017/18
£000		£000
49,404	Services commissioned from Moray Council	52,432
72,563	Services commissioned from The Grampian Health Board	74,363
17	Auditor Fee: External Audit Work	24
121,984	Total Expenditure	126,819
(124,688)	Partners Funding Contributions and Non-Specific Grant Income	(124,962)
(2,704)	(Surplus) or Deficit on the Provision of Services	1,857

The 2016/17 figures have been restated to omit separate categorisation for employee benefits expenditure. The purpose of this note is to provide a break-down of commissioning income and expenditure between the MIJB and its funding partners and so separate disclosure is not required.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 Taxation and Non-Specific Grant Income

2016/17		2017/18
£000		£000
41,252	Funding Contribution from Moray Council	40,070
83,436	Funding Contribution from The Grampian Health Board	84,892
124,688	Taxation and Non-specific Grant Income	124,962

The funding contribution from The Grampian Health Board shown above includes £10.593m in respect of 'set aside' resources relating to acute hospital and other resources. These are provided by The Grampian Health Board who retains responsibility for managing the costs of providing the services. The MIJB however has responsibility for the consumption of, and level of demand placed on, these resources. For the 2016/17 financial year, the set aside resource level was set at £10.163m.

Note 6 Debtors

31 March 2017		31 March 2018
£000		£000
1,403	The Grampian Health Board	699
1,301	Moray Council	148
2,704	Debtors	847

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 7 Usable Reserve: General Fund

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

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

Note 8 Agency Income and Expenditure

On behalf of all IJB's within The Grampian Health Board, the MIJB acts as the lead manager for Grampian Medical Emergency Department (GMED) and Primary Care Contracts. It commissions services on behalf of the other IJBs and reclaims the costs involved. The payments that are made on behalf of the other IJBs, and the consequential reimbursement, are not included in the Comprehensive Income and Expenditure Statement (CIES) since the MIJB is not acting as principal in these transactions.

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

2016/17		2017/18
£000		£000
8,067	Expenditure on Agency Services	8,593
8,067	Reimbursement for Agency Services	8,593
0	Net Agency Expenditure excluded from the CIES	0

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9 Related Party Transactions

The MIJB has related party relationships with The Grampian Health Board and Moray Council. In particular the nature of the partnership means that the MIJB may influence, and be influenced by, its partners. The following transactions and balances included in the MIJB's accounts are presented to provide additional information on the relationships.

Transactions with The Grampian Health Board

2016/17		2017/18
£000		£000
(83,436)	Funding Contributions received from the NHS Board	(84,892)
72,505	Expenditure on Services Provided by the NHS Board	74,269
58	Key Management Personnel: Non-Voting Board Members	106
(10,873)	Net Transactions with The Grampian Health Board	(10,517)

Key Management Personnel: The Chief Officer and Chief Financial Officer, are non-voting Board members and are both employed by The Grampian Health Board and recharged to the MIJB. Details of the remuneration of both officers are provided in the Remuneration Report.

Balances with The Grampian Health Board

31 March 2017		31 March 2018
£000		£000
(1,403)	Debtor balances: Amounts due from The Grampian Health Board	(699)
0	Creditor balances: Amounts due to The Grampian Health Board	0
(1,403)	Net Balance due from The Grampian Health Board	(699)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9 Related Party Transactions (continued)

Transactions with Moray Council

2016/17		2017/18
£000		£000
(41,252)	Funding Contributions received from the Council	(40,070)
49,363	Expenditure on Services Provided by the Council	52,377
58	Key Management Personnel: Non-Voting Board Members	67
8,169	Net Transactions with Moray Council	12,374

Balances with Moray Council

31 March 2017		31 March 2018
£000		£000
(1,301)	Debtor balances: Amounts due from Moray Council	(148)
0	Creditor balances: Amounts due to Moray Council	0
(1,301)	Net Balance due from Moray Council	(148)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 10 VAT

The MIJB is not registered for VAT and as such the VAT is settled or recovered by the partners. The VAT treatment of expenditure in the MIJB accounts depends on which of the partners is providing the services as each of these partners are treated differently for VAT purposes.

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Note 11 Accounting Standards That Have Been Issued but Have Yet To Be Adopted

The Code requires the MIJB to identify any accounting standards that have been issued but have yet to be adopted and could have material impact on the accounts.

There are no accounting standards issued but not yet adopted that impact on the 2017/18 financial statements.



D-02712 produced by Moray Council

