



# Aberdeen City Integration Joint Board

Annual Audit Report to the Members of Aberdeen Integration Joint Board and the Controller of Audit for the year ended 31 March 2020

11 August 2020

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## **About this report**

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

This report is for the benefit of Aberdeen City Integration Joint Board ("IJB") and is made available to Audit Scotland and the Controller of Audit (together "the Beneficiaries"). This report has not been designed to be of benefit to anyone except the Beneficiaries. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Beneficiaries, even though we may have been aware that others might read this report. We have prepared this report for the benefit of the Beneficiaries alone. Nothing in this report constitutes an opinion on a valuation or legal advice.

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

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## **Complaints**

If at any time you would like to discuss with us how our services can be improved or if you have a complaint about them, you are invited to contact Andy Shaw, who is the engagement leader for our services to the IJB, telephone 0131 527 6673, email: [andrew.shaw@kpmg.co.uk](mailto:andrew.shaw@kpmg.co.uk) who will try to resolve your complaint. If your problem is not resolved, you should contact Hugh Harvie, our Head of Audit in Scotland, either by writing to him at Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG or by telephoning 0131 527 6682 or email to [hugh.harvie@kpmg.co.uk](mailto:hugh.harvie@kpmg.co.uk). We will investigate any complaint promptly and do what we can to resolve the difficulties. After this, if you are still dissatisfied with how your complaint has been handled you can refer the matter to Fiona Kordiak, Director of Audit Services, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN.

# Executive summary

## Audit conclusions

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We issued an unqualified audit opinion on the annual accounts of Aberdeen City Integration Joint Board ("the IJB" or "the Board") following their approval by the IJB.

We identified one significant risk in the audit of the IJB at the outset of the audit, being the management override of controls fraud risk. As documented on pages 10 to 12, we have concluded satisfactorily in respect of the significant risk and the audit focus areas identified in the audit strategy document.

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

## Financial management and financial sustainability

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The IJB faces ongoing financial pressures due to increasing needs, funding constraints and the cost pressures faced by the two partners. Both partners have budgeted for required savings within their respective organisations. We propose to conclude that the IJB is a going concern as a result of the Integration Scheme and the financial sustainability of the partners, together with the £1.3 million risk fund held by the IJB, however, at the time of drafting internal technical consultation regarding going concern is incomplete (page 8). We are satisfied that the annual refreshing of a five year medium term financial framework helps the IJB to plan for future pressures, and it supports officers in discussions of future budget settlements. At the same time we note that the savings target for the 2019-20 was not achieved and the IJB had to use its risk fund in the year (reserves). Additional risks and uncertainty, including future financial sustainability are created by the COVID-19 impact.

## Financial position

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The IJB has a responsibility to set a breakeven budget each year and had set a budget of £313.7 million which was then revised during the year to £327.3 million. The Board planned to deliver savings of £4.1 million. Due to the pressures in 2019-20 the IJB overspent its budget and had to use £1.2 million of its risk fund (reserves) to break even. The Board decided not to replenish the risk fund to its opening balance of £2.5 million and plans to decide on the fund future during 2020-21.

At the year end the Board has not delivered £2.6 million of its planned savings in areas of medicine management and service redesign. Savings targets of £5.7 million have been incorporated within the 2020-21 budget and further pressures are being assessed which are expected as a result of COVID-19.

## COVID-19 impact

COVID-19 impacted the IJB during the last month of the 2019-20 financial year, primarily with increased spend on prescribing. This has been mitigated by additional funding of £0.7 million as provided via NHS Grampian allocation, ultimately funded by the Scottish Government.

Further impact on the current and the future financial years is uncertain. The IJB has developed initial estimates ranging from £8.1 million to £20.9 million for 2020-21 which have yet to be considered by the Board at the time of drafting. In May 2020 additional funding from Scottish Government of £1.8 million was provided for immediate response to the COVID-19. Further funding was agreed in principle, but is subject to several conditions outlined by the Scottish Government with limited clarity.

COVID-19 impact is managed by the IJB and partners at the Regional and Local Resilience Partnerships levels. The IJB updates the associated risk register weekly.

# Scope and responsibilities

### Purpose of this report

The Accounts Commission has appointed KPMG LLP as auditor of Aberdeen City Integration Joint Board under part VII of the Local Government (Scotland) Act 1973 (“the Act”). The period of appointment is 2016-17 to 2021-22, inclusive.

Our annual audit report is designed to summarise our opinions and conclusions on significant issues arising from our audit. It is addressed to both those charged with governance at the IJB and the Controller of Audit. The scope and nature of our audit are set out in our audit strategy document which was presented to the Risk, Audit and Performance Systems Committee (“the RAPS”) on 25 February 2020.

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

### Accountable officer responsibilities

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

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

### Auditor responsibilities

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

### Scope

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

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

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

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

This report to those charged with governance, and our presentation to the Integration Joint Board, together with previous reports to the RAPS throughout the year, discharges the requirements of ISA 260.

# Financial position

### Overview

The Public Bodies (Joint Working) (Scotland) Act 2014 specifies that Integration Joint Boards should be treated as if they were bodies falling within section 106 of the Local Government (Scotland) Act 1973. The financial statements of the IJB should therefore be prepared in accordance with the 1973 Act and the 2019-20 Code of Practice on Local Authority Accounting in the United Kingdom (“the CIPFA Code”).

The Board is responsible for the strategic planning and delivery of health and adult social care services in Aberdeen. The Board is responsible for the services as set out in the Integration Scheme, which includes ‘hosted’ services which are provided by the IJB on behalf of the other Integration Joint Boards in Grampian: Aberdeenshire and Moray.

### Financial management overview

The IJB budget process begins in September each year with final approval by March.

The Board does not have any fixed assets, nor does it directly incur expenditure or employ staff (other than the Chief Officer and the Chief Finance Officer). All funding and expenditure is delegated to the partner organisations and is recorded in the partner organisation’s accounting records.

### Snapshot of 2019-20

#### Planned/budget

Funding contributions from Aberdeen City Council £91.3 million	Funding contributions from NHS Grampian £236.4 million	Net expenditure £327.3 million	Deficit on provision of services £0.4 million
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#### Actual

Funding contributions from Aberdeen City Council £90.9 million	Funding contributions from NHS Grampian £236.4 million	Net expenditure £330.3 million	Deficit on provision of services £2.9 million
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Legislation empowers the Board to hold reserves. The Integration Scheme and the reserves strategy set out the arrangements between the partners for addressing and financing any overspends or underspends. It highlights that in the event of an underspend at the year end, it will be retained by the IJB as reserves following agreement with the partners, unless the following conditions apply:

- where a clear error has been made in calculating the budget requisition; or
- in other circumstances agreed through a tri-partite agreement between the partners and the IJB.

During 2019-20, the IJB overspent against budget. The recognised overspend has been appropriately reflected as part of the IJB’s reserves movements during the year.

Reserves Movement	£ million
<b>Opening balance as at 31 March 2019</b>	<b>(5.6)</b>
Planned income	(327.7)
Less difference of actual receipt (*)	0.4
Planned expenditure	327.3
Additional expenditure	2.9
<b>Closing balance as 31 March 2020</b>	<b>(2.6)</b>

\* £0.4 million relates to an adjustment for Housing Revenue Account expenditure and budget delegated to the IJB

# Financial position (continued)

### 2019-20 Financial position

A deficit of £3 million is reported in the comprehensive income and expenditure statement ("CIES"), which was funded from brought forward reserves.

### Comprehensive income and expenditure statement

The IJB has a responsibility to set a breakeven budget each year. For 2019-20 this was achieved from an agreed use of Integration and Change Funds from carried forward reserves, in addition to budgeted Integration and Change Fund utilisation.

The budget is updated and revised throughout the year, based on known pressures and actual results achieved. This is reported to the Board to challenge and approve the amendments.

### Key CIES underspends and overspends

- Community health services: underspend £1.6 million. Primarily due to challenges in recruitment, in particular with respect to relying on agency staff.
- Aberdeen City share of hosted health services overspend £1.3 million.
- Primary care prescribing: the overspend of £0.9 million was due to an increase in demand and price influenced by Brexit deadlines. The overspend started to stabilise towards the end of the financial year however costs started to increase in March 2020 due to the uncertainty regarding COVID-19. The Scottish Government has provided additional funding to cover any additional prescribing costs related to COVID-19.

### Savings target

The IJB had a savings target of £4.1 million in its financial management strategy. The overspend of £2.9 million in the year means that this target was not met though this relates to both under delivery of savings and additional cost pressures arising during the year. The IJB updates the Board on a quarterly basis on its savings target.

Expenditure	Full year revised budget (£000)	2019-20 Actual (£000)	(Under) / over spend (£000)
Community health services	35,658	34,797	(861)
Aberdeen City share of hosted health services	22,893	24,234	1,341
Learning disabilities	35,102	35,146	44
Mental health and addictions	19,955	20,240	285
Older people and physical and sensory disabilities	77,108	78,466	1,358
Directorate	2,030	1,783	(247)
Criminal Justice	92	92	0
Housing	1,477	1,477	(0)
Primary care prescribing	39,991	40,843	852
Primary care	41,374	41,141	(234)
Out of area treatments	1,700	2,001	301
Set-Aside	46,416	46,416	0
Transformation funding	1,3678	1,185	(183)
<b>Total mainstream</b>	<b>325,164</b>	<b>327,821</b>	<b>2,657</b>
Integration and change	0	0	0
Primary care improvement fund	1,770	1,817	48
Action 15 mental health	408	589	182
Alcohol drugs partnership	0.5	90	90
<b>Total mainstream and funds</b>	<b>327,342</b>	<b>330,318</b>	<b>2,976</b>

Source: Finance update as at 31 March 2020

# Financial position (continued)

### Balance sheet

As the IJB does not own fixed assets or hold bank accounts, the balance sheet is made up solely of amounts owing to and from the partner organisations and the resulting reserves.

The debtors and creditors balances as at 31 March 2020 consist of £2.6 million owed by NHS Grampian ("NHSG") and £24,644 owed to Aberdeen City Council ("ACC"). These amounts relate to Integration and Change Fund expenditure which has been committed but not yet spent.

Balance sheet	2019-20 (£000)	2018-19 (£000)
Short term debtors	2,627	8,147
Short term creditors	(25)	(2,569)
<b>Net assets</b>	<b>2,602</b>	<b>5,578</b>
Useable reserves	(2,602)	(5,578)
<b>Total reserves</b>	<b>2,602</b>	<b>(5,578)</b>

Source: Audited annual accounts for the year ended 31 March 2020

The IJB utilised £3 million of reserves brought forward from 2018-19, being the deficit for the year. Of the closing reserves position of £2.6 million, £1.3 million has been earmarked in a risk fund. The risk fund is intended to support the health and social care services provision and protect against any budget pressures during the year.

We provide further narrative on financial sustainability and financial management on pages 16 to 20.

# Audit conclusions

### Audit opinion

Following approval of the annual accounts by the IJB, we issued an unqualified opinion on the truth and fairness of the state of the IJB's affairs as at 31 March 2020, and of the deficit for the year then ended.

KPMG has determined that for 2019-20, there is a rebuttable presumption that at least a material uncertainty will exist in relation to going concern in all audit opinions. After consulting our technical team we rebutted this presumption and concluded that not material uncertainty is required in our report in relation to the Integration Joint Board accounts.

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

### Financial reporting framework, legislation and other reporting requirements

The IJB is required to prepare its annual accounts in accordance with International Financial Reporting Standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 ("the CIPFA Code"), and in accordance with the Local Authority Accounts (Scotland) Regulations 2014. Our audit confirmed that the financial statements have been prepared in accordance with the CIPFA Code and relevant legislation.

### Statutory reports

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

### Other communications

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

### Audit misstatements

There was one misstatement identified by management in relation to double counting the reserve transfer which resulted in double counting of council's expenditure by £1.5 million. This was adjusted between funding from council and the NHS and the effect on the Comprehensive Income and Expenditure Statement was Nil. There were other two issues noted in the financial statements proactively by management. These concerned the set aside total and the Chief Officer's pension disclosure. These were updated and are not considered audit adjustments. There were also minor presentational and disclosure adjustments made by management as a result of our audit.

### Written representations

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



# Materiality and summary of risk areas

### Materiality

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

We used a materiality of £3.25 million for the IJB's annual accounts. This equates to 1% of cost of services expenditure. We designed our procedures to detect errors in specific accounts at a lower level of precision than our materiality. Our performance materiality was £2.438 million. We report all misstatements greater than £162,500.

### Forming our opinions and conclusions

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

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

### Financial statements preparation

Draft financial statements were published online in line with Section 195 of Local Government (Scotland) Act 1973, this included the management commentary and Annual Governance Statement.

In advance of our audit fieldwork we issued a 'prepared by management' request setting out a list of required analyses and supporting documentation. We received working papers of good quality, and draft financial statements were provided on at the start of the audit fieldwork, including the management commentary and the remuneration report.

There were two issues noted in the financial statements proactively by management. These concerned the set aside total and the Chief Officer's pension disclosure. These were updated and are not considered audit adjustments.

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

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

Significant risks (page ten of this report):

- management override of controls fraud risk

Other focus areas (page 11 and 12 of this report):

- financial sustainability (also a wider scope area)
- completeness and accuracy of expenditure; and
- COVID-19 impact (identified after the planning stage)

Wider scope areas (page 15 of this report):

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

# Financial statements and accounting

## Significant risks

SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
<p><b>Management override of controls fraud risk*</b></p> <p>Professional standards require us to communicate the fraud risk from management override of controls as a significant risk; as management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to the audit of the IJB.</p> <p>Strong oversight of finances by IJB management, as well as management at the executive level, provides additional review of potential material errors caused by management override of controls.</p> <p>We agreed the total income, expenditure and debtor balances to confirmations from the external partner organisations.</p>	<p>There were no specific circumstances identified which would indicate additional risk of management override of controls. No overrides in controls were identified.</p>
<p><b>Income recognition fraud risk (rebutted)</b></p> <p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p>	<p>As set out in our audit strategy document, the Board receives funding from ACC and NHSG. These are agreed in advance of the year, with any changes arising from changes in need, requiring approval from each body. There is no estimation or judgement in recognising this stream of income and we do not regard the risk of fraud to be significant.</p> <p>We have obtained confirmations of income from each of the partner organisations. We have also considered funding of £0.7 million received from the Scottish Government to cover the additional cost of COVID-19 related increased prescribing demand.</p>	<p>No exceptions were noted in agreeing income to partner organisation confirmations.</p> <p>We are satisfied that income is recognised appropriately, in the correct financial year and in line with the CIPFA Code.</p> <p>We concluded that additional funding received from the Scottish Government for the prescribing cost was accounted for correctly.</p>

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

# Financial statements and accounting

## Other focus areas

OTHER FOCUS AREA	OUR RESPONSE	AUDIT CONCLUSION
<p><b>Financial sustainability</b></p> <p>Financial sustainability looks forward to the medium and longer term to consider whether the Board is planning effectively to continue to deliver its services or the way in which they should be delivered. This is inherently a risk to the Board given the challenging environment where funding is reduced and efficiency savings are required</p>	<p>In order to assess the ability of the IJB to continue to deliver services in the medium to long term, we have reviewed the following key documents:</p> <ul style="list-style-type: none"> <li>— Integration Scheme (as updated in March 2018).</li> <li>— Reserves strategy.</li> <li>— Medium term financial framework.</li> <li>— Transformation programme.</li> </ul>	<p>The IJB has detailed plans in place over the medium term to consider how services will be provided in future years. These take into consideration known and expected budget pressures. In response, plans have been prepared to close the funding gap through a combination of service transformation, efficiency savings and service redesign.</p> <p>During the year the total reserves reduced from £5.6 million to £2.6. The IJB used the earmarked part of the risk fund and reduced it from £2.5 million to £1.3 million at the year end. This was a result of the budget pressures and not achieving its savings target. The Board planned to achieve £4.1 million of the savings during 2019-20, however £2.6 million of that amount was not delivered.</p> <p>The expected impact of the COVID-19 mobilisation plan on 2020-21 budget is estimated by the IJB to be in range of between £8.1 million to £20.9 million. The funding, in the first instance is to be provided by its partner organisation. The Scottish Government approved the funding 'in principle' but the level and terms of this support have not been confirmed.</p> <p>In view of the medium term financial strategy, reserves position and the financial position of the partner organisations, we consider that the IJB is financially sustainable. Management should continue to ensure that the financial plans are robustly monitored closely to identify any potential overspends as soon as possible to allow mitigating action to be taken.</p>

# Financial statements and accounting

## Other focus areas (continued)

OTHER FOCUS AREA	OUR RESPONSE	AUDIT CONCLUSION
<p><b>Completeness and accuracy of expenditure</b></p> <p>The Board receives expenditure forecasts from Aberdeen City Council and NHS Grampian as part of the annual budgeting process. There is a risk that actual expenditure and resulting funding requisition income is not correctly captured.</p>	<p>The closing balances with the partner organisations were agreed to confirmations from each body, and the split of expenditure on the comprehensive income and expenditure statement agreed to reports from the partner organisations.</p> <p>The IJB does not post journals throughout the year, with financial processing taking place at the partner bodies. Adjustments are posted as part of the year end accounts preparation process. These post-closing entries were tested without exceptions identified.</p>	<p>The expenditure disclosed in the accounts is complete and accurate.</p>
<p><b>COVID-19 impact</b></p> <p>This is a new arising risk identified after our planning work was completed early in January. The risk impacts on number of areas, specifically financial sustainability and financial position post year end where the impact is uncertain. Being an over-arching risk</p>	<p>We have investigated and reviewed management's analysis of the impact on the key areas of the IJB activities, its customers, key stakeholders.</p> <p>We have also considered re-forecasted budgeting scenarios as provided by the IJB and as commented below in the financial sustainability section.</p> <p>We considered the changes made to the governance arrangements as commented on page 21.</p> <p>We reviewed the correspondence from the Scottish Government, and between</p>	<p>The consequences of COVID-19 on health sector and the UK economy are still uncertain. The impact on 2019-20 has been limited to the additional cost of prescribing and has been covered by the Scottish Government funding of £0.7 million.</p> <p>The IJB created three scenarios of the potential financial impact on 2020-21 ranging from £8.1m million (low), £14.6 million (medium), to £20.9 million (high). The IJB is working with its funding partners and estimates are updated weekly as part of NHS Grampian submissions to the Scottish Government.</p> <p>There are governance arrangements in place in both partner organisations and the IJB, which are linked where relevant. Multi-agency coordination in Scotland is based on regional and local partnerships. The Grampian Local Resilience Partnerships is one of 12 in Scotland and consist of NHS Grampian, a number of councils, police and fire and rescue services and other organisations. There is also a Grampian Coronavirus Assistance Hub.</p> <p>The IJB is now updated on a weekly basis as to the key risks in relation to the COVID-19 and ongoing mitigations. This includes the in-house services, commissioned services, GP services and their capacity, demand pressures and delivery.</p>

# Management reporting in financial statements

REPORT	SUMMARY OBSERVATIONS	AUDIT CONCLUSION
<p><b>Management commentary</b></p>	<p>The Local Authority Accounts (Scotland) Regulations 2014 require the inclusion of a management commentary within the annual accounts, similar to the Companies Act requirements for listed entity financial statements. The requirements are outlined in the Local Government finance circular 5/2015.</p> <p>We are required to read the management commentary and express an opinion as to whether it is consistent with the information provided in the annual accounts.</p> <p>We also review the contents of the management commentary against the guidance contained in the CIPFA template IJB accounts.</p>	<p>The information contained within the management commentary is consistent with the annual accounts.</p> <p>We reviewed the contents of the management commentary against the guidance contained in the Local Government finance circular 5/2015 and are content with the proposed report.</p>
<p><b>Remuneration report</b></p>	<p>The remuneration report was included within the unaudited annual accounts and supporting reports and working papers were provided.</p>	<p>The information contained within the revised remuneration report is consistent with the underlying records and the annual accounts and all required disclosures have been made.</p> <p>Our independent auditor's report confirms that the part of the remuneration report subject to audit has been properly prepared.</p>
<p><b>Annual governance statement</b></p>	<p>The statement for 2019-20 outlines the corporate governance and risk management arrangements in operation in the financial year. It provides detail on the IJB's governance framework, review of effectiveness, continuous improvement agenda, and analyses the efficiency and effectiveness of these elements of the framework. It also goes on to suggest improvement activities undertaken during the year over specific corporate governance principles.</p> <p>We review the annual governance statement to ensure that management's disclosure is consistent with the annual accounts, and that management have disclosed that which is required under the delivering good governance in local government framework.</p>	<p>We had discussions with the IJB, reviewed early draft of the Annual Governance Statement and shared applicable guidance.</p> <p>We understand the challenges of updating the review of the system of internal controls in the current situation and note that a review has been undertaken to the extent possible.</p> <p>We are satisfied with the approach taken by the IJB and consider the governance framework and revised annual governance statement to be appropriate for the IJB and that it is in accordance with guidance and reflects our understanding of the IJB.</p>

# Qualitative aspects and future developments

### Qualitative aspects

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

We consider the accounting policies adopted by IJB to be appropriate. There are no significant accounting practices which depart from what is acceptable under the Code of Practice on Local Authority Accounting.

Financial statement disclosures were considered against requirements for the Code of Practice on Local Authority Accounting, relevant legislation and IFRS. No departures from these requirements were identified.

There were no new accounting standards adopted by the Code of Practice on Local Authority Accounting during 2019-20 which affected the IJB.

There are no significant accounting estimates other than those relating to the calculation of the pension assets and liabilities previously summarised.

Financial statement disclosures were considered against requirements of Code of Practice on Local Authority Accounting, relevant legislation and IFRS. No departures from these requirements were identified.

### Future accounting and audit developments

The new standards will be set out in Appendix C to the 2020-21 Code of Local Practice on Local Authority Accounting in the United Kingdom and are expected to include IFRS 16 Leases. This is not expected to have an impact on the IJB's annual accounts.

# Wider scope and Best Value

## Audit dimensions introduction and conclusions

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

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

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

### Financial sustainability

During the year the total reserves halved from £5.6 million to £2.6 million and achieving the savings target proved to be challenging. The medium term financial strategy has ambitious savings targets planned for the next five years and the impact of COVID-19 is still an estimate.

The IJB has a strong transformation governance structure in place to monitor delivery of savings. The IJB is planning to deliver transformational change over the longer term in order to address some of the financial challenges.

Given that ACC and NHSG fund the IJB in accordance with the Integration Scheme, together with the IJB's control over transformation, we consider that the IJB is financially sustainable. However, there is a risk and uncertainty in respect of the impact of COVID-19.

### Governance and transparency

We consider that the IJB has appropriate governance arrangements and they provide a framework for effective organisational decision making.

We consider that scrutiny is robust, specifically in respect of the RAPS where members demonstrate proportionate challenge.

The IJB is committed to transparency, with committee papers being publically available.

Aberdeen  
City IJB

### Value for money

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

Following our prior years recommendation, the Board approved its workforce plan in March 2019 which is aimed at supporting the staff in delivering the IJB's objectives. The work on implementing the plan is progressing with focus on attracting future workforce and its health and wellbeing.

### Financial management

The IJB has strong controls over the monitoring of expenditure against budget, with quarterly reports being presented at board meetings and evident scrutiny of costs.

Financial capacity is appropriate, and is well supported by the leadership team.

No audit adjustments were identified in the external audit and we consider that the control environment is robust. Management performed well to work to an accelerated preparation of the annual accounts and audit timetable.

The arrangements for monitoring against fraud in procurement are appropriate.

# Wider scope and Best Value

## Financial sustainability

**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.**

Financial sustainability is a risk to the IJB given the challenging environment, where funding is reducing in real terms and efficiency savings are required. In assessing financial sustainability we consider whether the IJB is able to balance budgets in the short term and whether longer term financial pressures are understood and are planned for, as evidenced by the IJB's financial strategies and plans.

### Budget setting

The IJB receives budget allocations from NHSG and ACC. The IJB budget is set one year in advance, in line with the current practice of single year budget allocations from Scottish Government. Management used the confirmed funding for the 2020-21 budget to develop a five year medium term financial strategy. Projections for 2020-21 are based on historic trends and planning assumptions. The strategy is assumptions are based on the current Scottish Budget process.

The total final approved funding for IJB in 2020-21 is £330.3 million, which is a 5% increase from the £313.7 million prior year initial budget. Around 70% of this funding comes from NHSG and 30% from ACC. The increase in funding is a combination of the Council passing on its share of an increased allocation including £4 million of additional funding for social care and of additional NHSG grant income to cover pay awards. This year the Council decided to not to offset its adult social care allocation and the full amount of £3.5 million was passed to the IJB.

Both partners are facing financial challenges with demand exceeding resources available and transformation programmes being underway. Aberdeen City Council identified a £37.9 million saving target over 2020-21. NHS Grampian has an estimated savings target of £20 million per annum over the next four years. These financial pressures directly impact the IJB as funding from partners is the IJB's sole source of recurring funding, and the partners' savings targets are naturally reflected within the IJB budget.

Local pressures have also impacted the five year financial plan, such as a projected 3% pay award per annum, pressures from transitioning children with learning disabilities into the adult care and prescribing and community mental health spend.

### Five year budget pressures and savings targets

	2020-21	2021-22	2022-23	2023-24	2024-25
	£000	£000	£000	£000	£000
Budget pressures	10,082	8,388	7,406	7,593	7,699
New requirements	3,323	3,483	3,587	3,695	3,806
<b>Total pressures</b>	<b>13,405</b>	<b>11,871</b>	<b>10,993</b>	<b>11,288</b>	<b>11,505</b>
Funding estimates from the Council	(3,531)	(1,590)	(1,590)	(1,590)	(1,590)
Funding estimates from the NHS	(4,184)	(4,184)	(4,184)	(4,184)	(4,184)
<b>Total funding adjustments</b>	<b>(7,715)</b>	<b>(5,774)</b>	<b>(5,774)</b>	<b>(5,774)</b>	<b>(5,774)</b>
<b>Savings target</b>	<b>5,690</b>	<b>6,097</b>	<b>5,219</b>	<b>5,514</b>	<b>5,731</b>

Source: Medium term financial framework (10 March 2020)

Every year the Board refreshes its five year medium term financial strategy. In the previous years the IJB used the risk fund for any contingencies. There is £1.3 million of the fund left in the reserves and the Board is currently considering its future use.

We note that the level of savings required next year is £5.7 million and that the 2019-20 target of £4 million was not met. This combined with the challenging savings targets indicates that the total reserves of £2.6 million might be fully utilised in 2020-21. This presents a financial sustainability challenge in the future years.



# Wider scope and Best Value

## Financial sustainability (continued)

### Reserves strategy

The IJB approved a reserves policy in October 2016 which sets out the statutory and regulatory framework for reserves and its operation. The position, set out in the table below, includes a £1.3 million risk fund which was approved by the Board in 2016. The IJB does not plan to replenish the risk fund and is planning to consider the future of the fund in the current financial year.

2019-20 reserves movements	£ million
Budgeted opening reserves	5.6
Primary care reserve utilisation	(1.8)
Risk fund	(1.2)
<b>Closing reserves (at 31 March 2020)</b>	<b>2.6</b>

Source: Annual Accounts 2019-20

### Risk sharing

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

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

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

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

### COVID-19 impact

The 2020-21 budget and the Medium Term Financial Framework were approved before the overarching risk of COVID-19 developed. Its impact on the 2019-20 financial year was not significant and the IJB received additional funding from the Scottish Government of £0.7 million to cover the cost of the increased demand in prescribing. The Scottish Government requested that the IJBs produce a mobilisation plan early in April and initial costs of the COVID-19 going forward were estimated at £15.6 million. The Cabinet Secretary approved the funding in principle, however the level, method and terms of support has not been confirmed and is subject to being aligned with the mobilisation plans, accurately recorded, timely shared, and being reasonable.

The IJB produced various scenarios for 2020-21 with ranges based on the estimated impact from £8.1m million (low), £14.6 million (medium), to £20.9 million (high). The medium scenario aligns with the latest estimates that NHS Grampian presents to the Scottish Government on a weekly basis.

The three types of cost management identify as likely to arise as a consequence of COVID-19 are:

- direct cost locally agreed, including additional capacity require for the care homes;
- direct cost nationally influenced, in relation to social care providers and PPE;
- indirect costs, including prescribing costs.

The additional funding allocated so far was £50 million that was distributed nationally to IJBs, via the NHS, on the 12 May 2020 and for Aberdeen City this amounts to £1.8 million. This is the initial finding to support immediate challenges in the social care sector.

# Wider scope and Best Value

## Financial sustainability (continued)

COVID-19 introduced a new layer of financial pressures and there is an expectation that the care and health services will be delivered by the public service organisations, including IJBs.

### Transformation programme

The IJB is in its fourth year of operation and has ongoing transformation programme. The Board receives regular updates on progress towards transformation projects. Key decisions are presented to the Board for approval. The RAPS also receives detailed updates into transformation progress including 'deep dives' into specific areas at request. Following its revised strategy plan, the IJB refreshed its priorities in September 2019 and has the following high level programmes:

- Demand Management
- Prevention
- Data & Digital
- Conditions for Change
- Accessible & Responsive Infrastructure

The Transformation Programme was updated in line with the Strategic Plan

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

### Efficiency savings

Wider efficiency savings have been identified as part of the five year plan, acknowledging that transformational savings will take longer to realise. These measures include:

- Service redesign: focus on delivering savings from continuous review of service provision to ensure the best service can be delivered within budget.
- Medicines management: focus on mitigating the risk of rising costs of primary care medicines, by introducing a range of measures to control prescribing volumes and reduce costs per item.
- Other efficiency savings including review of pricing policies and review of services.

### Conclusion

Given that ACC and NHSG fund the IJB in accordance with the Integration Scheme, together with the IJB's control over transformation, we consider that the IJB is financially sustainable. However, there is a risk and uncertainty in respect of the impact of COVID-19.

Significant budget savings are included within the five year plan and the IJB has a strong transformation governance structure to monitor delivery of savings. High level themes have been developed to support budget savings, however the target savings for 2019-20 were not delivered. The challenging targets and uncertain impact of COVID-19 and financing arrangements for it indicate that the arrangements for financial sustainability have to be strengthened.

# Wider scope and Best Value Financial management

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

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

## Budgetary controls

The IJB's financial management comes under an appropriate degree of scrutiny, with budgets monitored at IJB, Local Authority and NHS level.

The IJB produces a quarterly finance update which is taken to both the Board and the RAPS. From a review of the minutes and attendance at meetings, it is evident that there is a sufficient level of scrutiny, and these reports have allowed the IJB to address overspends in a timely fashion.

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

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

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

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

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

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

We consider the IJB arrangements in relation to procurement appropriate.

## Financial regulations

The IJB has standing financial regulations which determine how spend can be authorised. The highest expenditure that can be approved by the Chief Officer is £50,000, with anything above that level having to go through the Board, which conducts its meetings in public.

## Finance function capacity

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

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

# Wider scope and Best Value Financial management (continued)

## Annual accounts

The same as last year the annual accounts preparation continuous to be brought forward in order to adhere to the ACC accelerated timetable. Officers issued unaudited annual accounts to the Integration Joint Board on 6 May 2020. The audit was conducted from 18 May 2020 and no audit adjustments were identified. Management performed well to accelerate the timetable whilst maintaining quality for the third year in a row.

### Conclusion

The IJB has appropriate controls over the monitoring of expenditure against budget, with quarterly reports going to public board meetings and evident scrutiny of costs.

Financial capacity is appropriate, and is well supported by the executive team.

Management performed well to further accelerate the annual accounts preparation and audit timetable.

# Wider scope and Best Value

## Governance and transparency

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

### Governance framework and decision making

The Board is responsible for establishing arrangements for ensuring the proper conduct of the affairs of the IJB and for monitoring the adequacy of these arrangements. To assist in this role, the IJB developed an assurance framework called the Local Code of Governance in conjunction with the Good Governance Institute, which provides readers with an understanding of the governance framework and the assurances that can be obtained from it. This Local Code is reviewed on an annual basis.

The Integration Scheme between ACC and NHSG also sets out key governance arrangements. The Board comprises a wide range of service users and partners including elected councillors nominated by ACC and directors nominated by NHSG. The RAPS reviews the overall internal control arrangements of the Board and makes recommendations to the IJB regarding signing of the Annual Governance Statement.

A second committee, the Clinical Care and Governance Committee, focuses on clinical assurance.

The Board and RAPS each met on a regular basis throughout the year. We review minutes from each to assess their effectiveness. We also periodically attend meetings of the RAPS. From this we have concluded that the committee is effective and provides robust challenge.

The board assurance and escalation framework sets out how the Board obtains the appropriate assurances on its activities. This framework includes the governance structure, systems and performance outcomes through which the Board receives assurance. It also describes the escalation process.

The Chief Officer provides overall strategic and operational advice to the IJB and is accountable for the delivery of services. The Chief Officer is also accountable to both the Chief Executive of ACC and the Chief Executive of NHSG and provides regular reports to both the council and the NHS Board.

On 3 September 2018 Sandra Macleod was appointed as the permanent Chief Officer, having previously been in the role of Managing Director of Bon Accord Care.

In response to the COVID-19 pandemic the IJB's decision making structure was streamlined. This was agreed to at a Board meeting on 24 March 2020. The temporary standing order was approved allowing members to participate in meetings remotely. This temporary order will be reviewed in the later part of 2020 as part of a larger review of the IJB's Scheme of Governance.

### Risk management

The risk management processes are based on IJB's work with the Good Governance Institute from 2016 when all of the IJB's governance arrangements, including carrying out a review of the IJB's assurance framework, were reviewed. This provided assurance that key risks to the achievement of integration objectives have been appropriately identified, communicated and addressed. The IJB has set out its risk appetite in its strategic plan and the risk appetite is reviewed by the Board on an annual basis. Risk registers are regularly updated and scrutinised by management and the RAPS.

The IJB is now updated on a weekly basis as to the key risks in relation to the COVID-19 and ongoing work to mitigate those. This includes the in-house services, commissioned services, GP services and their capacity, demand pressures and ability to deliver the services.

# Wider scope and Best Value

## Governance and transparency (continued)

### Internal control

ACC and NHSG are the partner bodies. All financial transactions of the Board are processed through the financial systems of the partner bodies and are subject to the same controls and scrutiny as the council and health board, including the work performed by internal audit.

### Internal audit

The IJB has an internal audit function which undertakes reviews at both the IJB level and ACC level. NHS Grampian has its own internal audit function, however any reviews specific to the IJB are shared with the Board and RAPS. Internal audit completed three audits during 2019-20, including two carried forward from 2018-19 with one still in progress due to the Coronavirus pandemic impact. There were no recommendations graded as 'major'.

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

We considered the activities of internal audit against the requirements of Public Sector Internal Audit Standards ("PSIAS"), focusing our review on the public sector requirements of the attribute and performance standards contained within PSIAS. We reviewed internal audit reports and conclusions, and through discussion obtained the views of internal audit of risks of fraud within the Council.

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

### Fraud

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

### Transparency

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

Full details of the meetings held by the IJB and the RAPS committee are available through the ACC website. Members of the public can access committee papers and minutes of meetings, with exempt items minimised as much as possible. Reasons for papers being discussed in private are given in the meeting minutes. Members of the public are welcome to attend board meetings and RAPS meetings.

We have not found evidence to suggest that information is unjustifiably withheld from public scrutiny. Furthermore, members of the public can attend meetings of the IJB. Overall we concluded that the IJB is open and transparent.

### Conclusion

We consider that the IJB has appropriate governance arrangements and they provide a framework for effective organisational decision making.

The IJB considered the governance framework at its formation, including working with the Good Governance Institute to ensure that structures and processes are appropriate.

We consider that scrutiny is robust and transparent.

# Wider scope and Best Value (continued)

## Value for money

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

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

The Integration Scheme specifies the range of functions delegated by the ACC and NHSG to the IJB. The IJB is responsible for establishing effective arrangements for scrutinising performance, monitoring progress towards its strategic objectives, and holding partners to account.

### Performance indicators

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

During 2018-19 the IJB refined its approach and re-mapped its 60 performance strategic indicators to the revised five strategic aims. The IJB considers its performance reports quarterly by both the RAPS and the Board. The IJB will summarise its performance in its annual performance report planned for the September meeting. With the new approach the Board will also receive reports on the national and the ministerial strategic group indicators after the financial year end and this is planned for June meeting.

### Value for money in key decisions

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

### Learning from projects

The Board ran a number of projects in the year including Integrated Neighbourhood Care Aberdeen and West Visiting Service. These projects were aimed at implementing and testing new ways of working in care delivery and establishing integrated local teams. In both cases these pilot projects were used by the IJB to self-evaluate and to identify benefits, efficiencies and further ways to improve the services and their delivery. This work helps to identify efficiencies and supports culture of continuous improvement.

### **Conclusion**








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









# Appendices



# Required communications with the RAPS

Type	Response
<b>Our draft management representation letter</b>	 We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2020.
<b>Adjusted audit differences</b>	 There were no adjusted audit differences.
<b>Unadjusted audit differences</b>	 There were no unadjusted audit differences.
<b>Related parties</b>	 There were no significant matters that arose during the audit in connection with the entity's related parties.
<b>Other matters warranting attention by the Audit and Performance Committee</b>	 There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
<b>Control deficiencies</b>	 We did not test any internal controls during our audit, and therefore have no deficiencies to report. Management retain the responsibility for maintaining an effective system of internal control.
<b>Actual or suspected fraud, noncompliance with laws or regulations or illegal acts</b>	 No actual or suspected fraud involving group or component management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.

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

## Appendix two

# Appointed auditor's responsibilities

AREA	APPOINTED AUDITOR'S RESPONSIBILITIES	HOW WE HAVE MET OUR RESPONSIBILITIES
<b>Statutory duties</b>	Undertake statutory duties, and comply with professional engagement and ethical standards.	Appendix two outlines our approach to independence.
<b>Financial statements and related reports</b>	<p>Provide an opinion on audited bodies' financial statements and, where appropriate, the regularity of transactions.</p> <p>Review and report on, as appropriate, other information such as annual governance statements, management commentaries, and remuneration report.</p>	<p>Page 8 summarises the opinions we have provided.</p> <p>Page 13 reports on the other information contained in the financial statements, covering the management commentary, remuneration report and annual governance statement.</p>
<b>Financial statements and related reports</b>	Notify the Auditor General or Controller of Audit when circumstances indicate that a statutory report may be required.	Reviewed and concluded on the effectiveness and appropriateness of arrangements and systems of internal control, including risk management, internal audit, financial, operational and compliance controls.
<b>Wider audit dimensions</b>	<p>Demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies':</p> <ul style="list-style-type: none"> <li>- Effectiveness in the use of public money and assets;</li> <li>- Suitability and effectiveness of corporate governance arrangements;</li> <li>- Financial position and arrangements for securing financial sustainability;</li> <li>- Effectiveness of arrangements to achieve best value;</li> <li>- Suitability of arrangements for preparing and publishing statutory performance information</li> </ul>	We have set our conclusions over the audit dimensions on page 15.

# Auditor independence

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

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

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

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

### General procedures to safeguard independence and objectivity

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

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

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

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

#### Summary of fees

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

Total fees charged by us for the period ending 31 March 2020 can be analysed as follows:	2019-20 £	2018-19 £
Audit of the Aberdeen City IJB financial statements	20,950	21,600
<b>Total audit services</b>	<b>20,950</b>	<b>21,600</b>
Non-audit services	-	-
<b>Total</b>	<b>20,950</b>	<b>21,600</b>

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

### Confirmation of audit independence

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

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

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

Yours faithfully,

KPMG LLP



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