

Integration Joint Board

Date of Meeting: 29 November 2023

Title of Report: Audited Annual Accounts 2022/23

Presented by: James Gow, Head of Finance and Transformation

The Integration Joint Board is asked to:

- **Note that Mazars have completed their audit of the annual accounts for 2022-23 and have issued an unqualified Independent Auditor's Report.**
- **Consider the 2022/23 Annual Audit Report prepared by Mazars and management responses to the recommendations.**
- **Approve the draft letter of Management Representation.**
- **Approve the Audited Accounts for signature and publication.**

1. EXECUTIVE SUMMARY

- 1.1 The Integration Joint Board is required to produce a set of audited annual accounts for 2022/23. These were prepared within an extended timescale and have been subject to independent audit by Mazars. The audit process has been completed and Mazars have issued an unqualified audit report. The Accounts, Audit Report and Letter of Representation have all been considered by the Audit & Risk Committee at its meeting on the 29th November.
- 1.2 The purpose of this report is to enable the Integration Joint Board to review the Annual Report and Accounts. These are provided as Appendix 1 and are prepared in line with current guidance and provide detail on financial performance, governance arrangements and the independent external audit report. These require to be signed by the Chair, Chief Officer and Head of Finance & Transformation.
- 1.3 In respect of financial performance the accounts are reporting that the HSCP underspent against the allocations made available to it. It is carrying its underspend forward within its general reserves to fund investment in service transformation and the budget gap in 2023/24.
- 1.4 In addition to the audit report and opinion contained within the Annual Accounts, Mazars have also prepared a detailed Annual Audit Report (Appendix 2). This will be made publicly available. Whilst the Annual Audit Report makes no recommendations for improvement in terms of accounting and financial reporting it does make one low grade recommendation concerning registers of interest. It also highlights the financial sustainability risk facing the IJB and the requirement to update medium term financial plans and develop savings proposals.

2. INTRODUCTION

- 2.1 The Integration Joint Board is required to produce an audited set of annual accounts for 2022-23. The unaudited accounts were produced in line with the timetable and approved by the Audit & Risk Committee on 20 June 2023 for publication and submission to external audit. The Audit process is now complete and the audited accounts require to be approved by the Integration Joint Board.

3. DETAIL OF REPORT

- 3.1 The Integration Joint Board was established under the requirements of the Public Bodies (Joint Working) (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 Authorities Accounting in the United Kingdom supported by International Financial Reporting Standards (IFRS) unless legislation or statutory guidance requires different treatment.
- 3.2 The Annual Accounts are subject to independent audit by Mazars and some minor changes have been made in respect of disclosures and the narrative contained within the report. There have been no substantive changes to the unaudited accounts published in June, no objections raised by the public and no uncorrected errors highlighted by the auditor. The Audited Annual Accounts for 2022-23 are provided as Appendix 1, these incorporate the Independent Auditors Report.
- 3.3 Mazars conclude that the Integration Joint Board's accounts present a true and fair view of the financial performance of the IJB during the year. The Independent Auditors Report provides further information on the audit process and basis of the opinion. It is acknowledged that the IJB is highly dependent upon both partners in respect of financial accounting processes and systems.
- 3.4 Mazars have also prepared an Annual Audit Report for consideration by the IJB (Appendix 2). This indicates that the auditors are content with financial accounting and reporting and concludes that governance and arrangements for securing value for money were likewise appropriate during the year. While the auditors have not requested any changes to the accounts, their report does make a recommendation in respect of medium term planning and the financial sustainability challenge currently faced by the HSCP and other public bodies. The recommendations and the management responses are included in the Mazars report and relate to:
- Financial Sustainability (pg31); and
 - Ensuring Registers of Interest are up to date and properly signed (low grade recommendation on pg 18).

The report is positive and confirms working papers were received on time, were of a good standard, that no substantive changes were made to the draft accounts and that there are no uncorrected errors in the audited accounts. This is an important source of independent assurance for the IJB and other stakeholders. A number of minor changes to disclosures have been made during the audit process.

3.5 In respect of financial performance, a summary of spend and resources is provided below:

2021/22		2022/23
£'000		£'000
101,153	Employee Costs	111,382
10,009	Premises Costs	11,260
15,183	Supplies and Services	15,253
3,201	Transport Related Costs	3,918
148,745	Third Party Payments	155,004
(19,104)	Income	(18,458)
52,930	Primary Care Services	53,137
248	Other	285
312,365	Total Expenditure	331,781
(326,975)	Total Funding	(327,575)
(14,610)	Decrease in Earmarked Reserves	4,206

Spend increased by £19.4m or 6.2% against the prior year with direct staff costs accounting for 34% of net expenditure. This is largely due to inflationary pressures and spend of reserves held at the end of the prior year.

3.6 Whilst there was an underspend against the budget totalling £9,098k, due to spend and clawback of reserves, the net resources held by the IJB at 31 March 2023 reduced by £4,206k. The following table summarises and reconciles the underspend to the excess spend of £4,206k reported in the accounts:

	Earmarked Reserves £000
Opening Reserves at 1 April 2022	21,196
Reserves spent during 2022/23	(10,530)
Covid funds returned to Scottish Government	(5,957)
Underspend for year (added to general reserve)	9,098
Specific funding received and carried forward	3,183
Closing Balance at 31 March 2023	16,991

The general reserve is available to the IJB to hold, invest or spend at its discretion. At the end of the previous year the IJB had a general reserve balance of £682k, this was fully spent during 2022/23. The year end general reserve balance is therefore £9,098k and this has been earmarked in the accounts:

- 2023/24 Budget Gap £4.1m
- Service Transformation £2.5m
- Prevention Programme £0.6m
- Infrastructure Projects £1.9m

- 3.7 In respect of the balance sheet, the debtor is equivalent to the earmarked reserves held by NHS Highland and Argyll and Bute Council. These reserves have been earmarked for specific purposes, analysis is provided in Note 7.
- 3.8 In summary, the accounts present a favourable view of financial performance, provide an overview of the governance framework and provide a high level summary of performance and risk. The HSCP has operated within budget for three consecutive years and has resources available to progress improvement and transformation projects. However, the HSCP still has a deficit budget which is reliant on the use of reserves and this requires to be addressed. In respect of the Going Concern judgement, the favourable outcome enables the IJB to fund its budget gap from reserves and is therefore not reliant upon any additional funding in 2023/24. It expects to continue to operate on a sustainable basis for the foreseeable future.
- 3.9 The Integration Joint Board is also asked to approve the draft letter of management representation (this is appendix A of the External Audit Report). It provides a number of assurances from the Chief Finance Officer to the auditor and requires to be considered by the IJB prior to issue.

4. RELEVANT DATA AND INDICATORS

- 4.1 Information contained within the accounts is derived from the financial systems of NHS Highland and Argyll and Bute Council. The audit of the IJB accounts is supported by the audits of both partners.

5 CONTRIBUTION TO STRATEGIC PRIORITIES

- 5.1 The annual accounts are a key statutory reporting and accountability requirement. They communicate both financial and key service delivery performance information in an accessible public document.

6. GOVERNANCE IMPLICATIONS

- 6.1 Financial Impact – The IJB is required to consider and approve the Audited Annual Accounts for 2022-23 by 30th November 2022. The accounts present a favourable summary of financial performance during the year and the position at the year end. The Annual Audit Report provides important independent assurance to the IJB in respect of financial management and governance.

6.2 Staff Governance – None

6.3 Clinical Governance - None

7. EQUALITY & DIVERSITY IMPLICATIONS

7.1 None

8. GENERAL DATA PROTECTION PRINCIPLES COMPLIANCE

8.1 None

9. RISK ASSESSMENT

- 9.1 There are no changes to the risk register arising from the contents of this report. The reserves position creates a risk that future funding is affected by levels of reserves, this may impact on how both partners pass on funding to the IJB in future. The Auditor has highlighted the risk relating to medium term financial planning and sustainability, this is included in the Strategic Risk Register.

10. PUBLIC & USER INVOLVEMENT & ENGAGEMENT

- 10.1 The unaudited annual accounts were made publicly available for comment in June 2023. The accounts will be made publicly available by the HSCP and the Annual Audit Report will be published by Audit Scotland. No objections were received by the auditor.

11. CONCLUSIONS

- 11.1 The Audited Annual Accounts for 2022-23 require to be approved by the IJB by 30 November. These were audited by Mazars, the IJB external auditors, and an unqualified independent auditors report has been received. There were a small number of minor changes made to the unaudited accounts as part of the audit process but no amendments to the figures. The accounts report that the IJB operated within budget during the year and that its governance arrangements were appropriate. The Audit report provides the Board with independent assurance in respect of financial management and governance.

12. DIRECTIONS

Directions required to Council, NHS Board or both.	Directions to:	tick
	No Directions required	√
	Argyll & Bute Council	
	NHS Highland Health Board	
	Argyll & Bute Council and NHS Highland Health Board	

AUTHOR NAME: James Gow, Head of Finance and Transformation

EMAIL: james.gow@argyll-bute.gov.uk

APPENDICES:

Appendix 1: Audited Annual Accounts 2021-22 and Audit Report

Appendix 2: Mazars Annual Audit Report, including the management representation letter