

East Lothian
Integration Joint Board



East Lothian Integration Joint Board

Annual Accounts 2015/16

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Audited Annual Accounts 2015/16

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Audit Arrangements

Under arrangements approved by the Accounts Commission for Local Authority Accounts in Scotland, the auditor with responsibility for the audit of the annual accounts of East Lothian Integration Joint Board (IJB) for the period from 1 July 2015 to 31 March 2016 is KPMG LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG.

Statement

The certified accounts were presented to East Lothian IJB at its meeting of 22nd September 2016.

1. Management Commentary by the Chief Finance Officer

Introduction

The Public Bodies (Joint Working) (Scotland) Act 2014 directs the creation of Integration Authorities to which a range of functions are to be delegated by NHS Lothian Board and East Lothian Council (the 'partners'). East Lothian Integration Joint Board (the 'IJB') was created pursuant to section 1(4)(a) of the Act being a body corporate. The IJB is constituted through its Integration Scheme which was prepared by East Lothian Council and NHS Lothian and presented to Scottish Ministers in March 2015. The Integration Scheme was approved by the Scottish Parliament in June 2015 and the first meeting of the IJB took place on 1 July 2015.

Annual Accounts 2015/16

The IJB is governed by the *Local Government (Scotland) Act 1973* along with the 2014 regulations and these accounts are prepared on that basis.

These accounts cover the period from 1 July 2015 to 31 March 2016.

It should be noted that the IJB had no financial allocations made to it in 2015/16 by either East Lothian Council or NHS Lothian. The IJB did not expend nor direct any expenditure and there are, therefore, no direct financial transactions for 2015/16. The notional financial resources expended to support the IJB in 2015/16 have been identified and are included in the comprehensive income and expenditure statement. However, it should be noted that these costs were borne in their entirety by either East Lothian Council or NHS Lothian as laid out in the Integration Scheme. The IJB was not charged for these services.

The annual accounts present the financial performance of East Lothian IJB for the period from 1 July 2015 to 31 March 2016. The requirements governing the format and content of local authorities' annual accounts are contained in *The Code of Practice on Local Authority Accounting in the United Kingdom* (The Code). The 2015/16 Accounts have been prepared in accordance with this Code.

The Management Commentary outlines financial performance for the year, financial outlook and risks and also provides non-financial strategic and contextual information about the IJB.

Financial Performance

As is discussed above, the IJB did not receive any financial allocation in 2015/16 nor did it direct the expending of any financial expenditure.

Structure and Management of the East Lothian Integration Joint Board

In March 2016 the IJB had the following members

Member	Nominated/Appointed by	Role
Donald Grant	Nominated by East Lothian Council	Voting member, Chair
Mike Ash	Nominated by NHS Lothian	Voting member, Vice Chair
Shamin Akhtar	Nominated by East Lothian Council	Voting member
Jim Goodfellow	Nominated by East Lothian Council	Voting member
Stuart Currie	Nominated by East Lothian Council	Voting member, Chair of Audit and Risk Committee
Alex Joyce	Nominated by NHS Lothian	Voting member
Peter Murray	Nominated by NHS Lothian	Voting member
Alison Meiklejohn	Nominated by NHS Lothian	Voting member
David Small	Appointed by the IJB	Chief Officer
David King	Appointed by the IJB	Chief Finance Officer
Fiona Duncan	Nominated by East Lothian Council	Chief Social Worker
Alison MacDonald	Nominated by NHS Lothian	Chief Nurse
Andrew Flappan	Nominated by NHS Lothian	Consultant
Jon Turvill	Nominated by NHS Lothian	General Practitioner
Thomas Miller	Appointed by the IJB	Staff representative
Elliot Stark	Appointed by the IJB	Third sector representative
Keith Malloney	Appointed by the IJB	Public representative
Richard Fairclough	Appointed by the IJB	General Practitioner
Margaret McKay	Appointed by the IJB	User/Carer representative
Maureen Allan	Appointed by the IJB	Independent Sector representative

Note – all members except those indicated as voting members are non-voting members

Principal Activities

The IJB's principal role has been ensuring the necessary processes, policies and plans are in place to allow local implementation of integrated health and social care services in terms of the Public Bodies (Joint Working) (Scotland) Act 2014 and deliver on the commitments set out within the East Lothian Integration Scheme.

During 2015/16 the key activities of the East Lothian IJB included:

- The preparation, agreement and publication of its Strategic Plan. As required, the IJB set up a Strategic Planning Group which met during the financial year. The Strategic Plan, having been consulted on as required by the regulations, was agreed by the IJB at its meeting of 25 February 2016 and lays out the ambitions for the delivery of the functions delegated to the IJB by the partners per the Integration Scheme;

- Putting in place sound financial governance and assurance arrangements for the IJB in line with national guidance; and
- Appointment of its Chief Officer and Chief Finance Officer to lead integrated services and manage the joint budget.

The goals of the IJB's Strategic Plan are in line with the Scottish Government's nine national outcomes and will be delivered through:

- shifting the balance of care to provide more care delivered at home or in a homely setting rather than in hospital or other institutions;
- ensuring care is person centered, with a focus on the individual and not just specific health and social care needs;
- further improving the joined up approach to working across professions and bodies delivering health and social care functions; and
- ensuring citizens, communities and staff involved in providing health and social care services will have a greater say in how these services are planned and delivered.

Directions for 2016/17

In order to action its Strategic Plan and as required by the Act, the IJB issued directions to both NHS Lothian and East Lothian Council on 31 March 2016. The directions were issued by the Chief Officer to the Chief Executives of both partners.

The directions must include the financial resources to be used to deliver the functions and these financial resources are based on:

- a formal offer from East Lothian Council which was accepted by the IJB at its meeting of 31 March 2016; and
- an indicative offer from NHS Lothian. NHS Lothian was not able to make a final offer before 31 March 2016, because it is not required by the Scottish Government to present its 2016/17 budget until 31 May 2016. At its meeting of 31 March 2016, the IJB agreed to take this indicative proposition.

The IJB's policy on directions – adopted at its meeting of 26 November 2016 – lays out that the IJB's directions will be approved by the IJB prior to issue of the directions. The directions were tabled at the IJB's meeting on 31 March 2016. The IJB agreed to issue the directions at that time and these directions were brought to the first meeting of the IJB in 2016/17 and formally agreed.

Assets and Liabilities

The IJB had no assets or liabilities in 2015/16.

IJB Staff and members

The IJB is not empowered to employ any staff and has not done so. The Chief Officer is employed by NHS Lothian and is seconded to the IJB. The Chief Finance Officer is employed by NHS Lothian and is seconded to the IJB. The professional advisers (Chief Social Worker, Chief Nurse, Consultant and GP) are employed by the nominating bodies.

Financial Outlook and Key Risks

As discussed above, East Lothian Council has made a budgetary offer for 2016/17 to the IJB along with an indicative position for 2017/18 and 2018/19. NHS Lothian's financial allocation offer for 2016/17 was received on 14 June 2016.

Further financial resources for 2016/17 have been made available to the IJB through the Scottish Government's 2016/17 financial settlement. The IJB has received its share of the budget allocation (c. £4.3m) of the Social Care Fund (also called the Integration Fund) and an agreement has been reached with East Lothian Council as to how this resource will be deployed. This agreement is in line with the ambitions articulated through the Deputy First Minister's letter of 27 January 2016. The IJB will provide governance for the use of this fund in 2016/17.

It is clear from the financial plans and statements that there are significant financial challenges in 2016/17 for both NHS Lothian and East Lothian Council and, therefore, for the functions that both these bodies have delegated to the IJB. The national financial outlook for 2017/18, and beyond, will, in financial terms, present an even greater challenge.

The key issues for the IJB in 2016/17 will be ensuring that:

- the implementation of efficiency schemes planned by the partners in 2016/17 will not impact on the ability of the IJB to deliver its strategic plan;
- the social care fund resources are used in line with the ambitions of the Scottish Government in a way that will build additional capacity in the system and allow redesign and the ability to improve the cost base in future years; and
- the IJB can take the financial planning lead for those functions for which it is now responsible for 2017/18 and thereafter have a clear financial baseline established in 2016/17 from which to move forward.

Signed

Date

Donald Grant
IJB Chair

David Small
Chief Officer

David King
Chief Finance Officer

2. Statement of Responsibility

This sets out the respective responsibilities of the IJB and the Chief Finance Officer.

The IJB's Responsibilities

The IJB is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For the East Lothian IJB, the responsible officer is the Chief Finance Officer;
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets;
- ensure that 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
- approve the Annual Accounts.

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the IJB's annual accounts in accordance with proper accounting 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 this statement of accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent; and
- complied with legislation and the Code, except where stated in the policies and disclosure notes.

I certify that these Annual accounts present a true and fair view of the financial position of the IJB as at 31 March 2016.

Signed:

Date:

**David King
Chief Finance Officer**

3. Annual Governance Statement

East Lothian IJB is responsible for ensuring that its business is conducted in accordance with the law and proper standards. This is to allow public funds at its disposal to be safeguarded and used efficiently and effectively in pursuit of best value.

Board members including the Chief Officer and Chief Finance Officer are responsible for the governance of the business affairs of East Lothian IJB. This includes:

- setting the strategic direction, vision, culture and values of the IJB;
- establishing appropriate and cost effective systems, processes and internal controls to allow the strategic objectives to be delivered.

It should be noted that development work continues on the risk management process and the whistle-blowing and fraud prevention procedures and processes. East Lothian IJB's financial management arrangements conform to the requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government. The Chief Finance Officer has overall responsibility for the IJB's financial arrangements and is professionally qualified and suitably experienced.

In discharging this responsibility, the Chief Officer has put in place arrangements for governance which includes the system of internal control. This is designed to manage risk to a reasonable level, but cannot eliminate the risk to failure to achieve policies, aims and objectives and can therefore only provide reasonable but not absolute assurance of effectiveness.

The IJB is responsible for conducting each financial year, a review of the effectiveness of its governance framework, including risk management and the systems for internal control and financial control. The review of the effectiveness of the IJB's governance framework is informed by:

- the work of the IJB, the Strategic Planning Group and the Audit & Risk Committee;
- the annual assurance questionnaires that are provided by the Chief Officer and the Chief Finance Officer;
- the Chief Internal Auditor's annual report which is based on internal audit work completed during the year; and
- reports from other external review bodies, agencies and inspectorates.

In addition, the Chief Officer and the Chief Finance Officer are required to undertake an annual self-assessment of their area of responsibility using an assurance template where key elements of governance are examined.

These assessments did not highlight any issues that would impact on the level of effectiveness of the IJB's governance framework. However, a number of improvements were identified and are discussed in the action plan below. It should be noted that the IJB has only been constituted for nine months and

it is considered acceptable at this stage that there are still some fairly significant issues to be addressed.

The statement has also been informed by the work undertaken by Internal Audit which, following the requirements of the Local Authority Accounts (Scotland) Regulations 2014, conducted an annual review of the effectiveness of the IJB's system of internal control. The Chief Internal Auditor has responsibility for the IJB's Internal Audit function and reports functionally to the Audit and Risk Committee to allow appropriate independence. The Chief Internal Auditor is professionally qualified and suitably experienced to lead and direct the Internal Audit team. The Internal Audit service operates in accordance with the Public Sector Internal Audit Standards.

The Chief Internal Auditor concluded that subject to weaknesses identified, reasonable assurance can be placed on the overall adequacy and effectiveness of the IJB's framework of governance, risk management and control for the period from 1 July 2015 to 31 March 2016. These improvements are reflected within the action plan detailed below.

The results from these reviews were presented to the June 2016 Audit and Risk Committee of the IJB along with the Annual Governance Statement for approval.

Statutory and Other Compliance

East Lothian IJB (the 'Board') has secured compliance with statutory and other requirements, as follows:

- **Membership** - its minimum membership (voting and non-voting) is set by statutory instrument, with the power to appoint additional members as it sees fit. The Board's membership is fully populated;
- **Standing Orders** - the Board is required by statutory regulations to have Standing Orders to regulate its business, with some aspects stipulated in those regulations. Standing Orders were adopted at the inaugural meeting, complying with statutory requirements;
- **Committees** - the Board has established an Audit & Risk Committee with a detailed remit, powers, and with the membership clearly defined. This complies with statutory requirements and with the Board's Standing Orders;
- **Meetings** - the Standing Orders adopted by the Board allow the public to have prior access to meeting agendas and reports, and to attend meetings of the Board and its committees - except in clearly defined and limited circumstances;
- **Strategic Plan** - the Board established its Strategic Planning Group as required by legislation, with Terms of Reference approved by the Board covering membership, meetings and meetings procedures;
- **Officers** - the Board appointed a Chief Officer and a Chief Finance Officer as required by the legislation. It is currently finalising the appointment of a Standards Officer in relation to its statutory Code of Conduct for Members. A Chief Internal Auditor has been appointed to carry out the Board's internal audit requirements and assist its Audit and Risk Committee;

- **Finance** - the Board received reports in relation to financial assurance prior to the setting of budgets (for 2016/17) for the integrated functions by East Lothian Council and NHS Lothian. It adopted Financial Regulations in relation to the conduct of its financial affairs, the maintenance of its accounting and financial records, and its annual accounts ; and
- **Code of Conduct** - pending finalisation of arrangements for a Code of Conduct for Members, the Board adopted an interim Code based on the existing Model Code for Members of Devolved Public Bodies in Scotland, and members have registered their interests according to that Code. Those arrangements are in the course of being finalised now that a Model Code for Integration Joint Boards has been produced, and the Register of Members' Interests will thereafter be published and made available for inspection.

Action Plan

Through the Board and the Audit and Risk Committee, further work will be progressed and will be carried out in relation to governance of these particular aspects of the Board's statutory duties and powers:

Area for Improvement	Proposed Action in 2016/17
Finalisation of the 2016/17 financial assurance process including a formal offer of financial resources from NHS Lothian	NHS Lothian's financial allocation offer for 2016/17 was received on 14 June 2016. The final financial assurance for 2016/17 will be presented to the IJB.
The financial plan that underpins the IJB's Strategic Plan should cover a three year period	Although NHS Lothian have only made an offer for one year, East Lothian Council have made a three year indicative position. As part of the response to NHS Lothian's offer a request will be made for three year indicative budgets.
Completion of a financial risk sharing agreement between the IJB and its partners	The IJB has asked the Chief Officer and the Chief Finance Officer to pursue this. This will be part of the discussion around the reporting of the financial performance to the IJB which will require to be completed before the mid- year financial review.
Finalisation of the actions requiring to be undertaken by the partners to support the IJB as laid out in the IJB's integration scheme	A letter was sent to both partners by the IJB's Chair (dated 17 May) detailing the outstanding actions from the Integration Scheme and asking for a report from the partners for the IJB's meeting on 25 August 2016.

Further development of the performance management framework for the IJB	The IJB is working with its partners to agree and implement a system of performance management (including financial performance). Indicative reports and further updates on progress are planned for the IJB's meeting in September 2016.
Further developments in the risk management system for the IJB.	A draft proposal and risk register was submitted to the IJB's Audit and Risk Committee on 23 March 2016 with a further report along with an updated risk register which was presented to the Audit and Risk Committee on 21 June 2016.

Donald Grant, Chair of the IJB

Signed:

Date:

David Small, Chief Officer

Signed:

Date:

4. Remuneration Report

The Local Authority Accounts (Scotland) Regulations 2014 (SSI No. 2014/200) require local authorities and IJBs in Scotland to prepare a Remuneration Report as part of the annual statutory accounts.

Voting Board Members

Voting IJB members constitute councillors nominated as board members by constituent authorities and NHS representatives nominated by NHS Boards. The voting members of the East Lothian IJB were appointed through nomination by NHS Lothian and East Lothian Council.

Voting board members do not meet the definition of a 'relevant person' under legislation. However in relation to the treatment of joint boards, Finance Circular 8/2011 states that best practice is to regard Conveners and Vice-Conveners as equivalent to Senior Councillors. The Chair and the Vice-Chair should therefore be included in the IJB remuneration report if they receive remuneration for their roles.

For 2015/16 the voting board members received the following remuneration for the period from 1 July 2015 to 31 March 2016.

Role	Name	Remuneration (£)
Chair	Donald Grant	None
Vice-Chair	Michael Ash	6,066

The payment to Mike Ash also relates to his membership of the East Lothian Community Planning Partnership.

IJB Chief Officer

The remuneration and contract of employment of the Chief Officer is set by NHS Lothian. In line with the Public Bodies (Joint Working) (Scotland) Act 2014, the Chief Officer is regarded as an employee of the IJB when undertaking duties for the Board. This is estimated at 50% of the Chief Officer's time since appointment on 1 July 2015.

The statutory responsibility for the Chief Officer's employer pension liabilities rests with NHS Lothian.

Other officers, including the Chief Finance Officer, are not regarded as employees of the IJB. Therefore, such officers do not feature in the Integration Joint Board remuneration report but may feature, as relevant, in the remuneration report of the employing partner.

For 2015/16, the Chief Officer received the following remuneration for the period 1 July 2015 to 31 March 2016 as follows:

Role	Name	Remuneration (£)
Chief Officer	David Small	36,346

Expenses Policy

The IJB does not reimburse (or direct to be reimbursed) any expenses for its members. Employees of NHS Lothian and East Lothian Council will be governed by their policies.

5. Financial Statements

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

	2015/16		
	Gross expenditure £000	Gross income £000	Net Expenditure £000
Corporate and democratic core	53	(53)	-
(Surplus)/deficit on provision of services	53	(53)	-
Other comprehensive (income)/expenditure			-
Total comprehensive income and expenditure			-

BALANCE SHEET

The Balance Sheet shows the value as of the assets and liabilities recognised by the board. The net assets of the Board are matched by the reserves held by the Board.

BALANCE SHEET AS AT 31 MARCH 2016

	£000
Current assets	
Short term debtors	-
Current liabilities	
Short term creditors	-
Net assets	<u>-</u>
Usable reserves	-
Total reserves	<u>-</u>

These financial statements were approved by the Board on 22 September 2016 and signed on its behalf by:

David King
Chief Finance Officer

Date :

NOTES TO ACCOUNTS

NOTE 1 ACCOUNTING POLICIES

The IJB will follow the accounting policies and guidelines laid out as appropriate under the 1973 Act and the 2014 regulations. A statement on accounting policies follows the financial statements below:-

a) General Principles

The Annual Accounts for the period ended 31 March 2016 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice. This is to ensure that the accounts 'present a true and fair view' of the financial position and transactions of the East Lothian Integration Joint Board.

b) Corresponding Amounts

The East Lothian Integration Joint Board was established on 1 July 2015 and hence the period to 31 March 2016 is its first period of operation. Consequently there are no corresponding amounts for previous years to be shown.

c) Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

d) VAT Status

The Integration Joint Board is non-taxable and does not charge or recover VAT on its functions. VAT payable is included as an expense only to the extent that it is not recoverable from HMRC.

e) Cash & Cash Equivalents

The IJB does not hold a bank account or any cash equivalents. Payments to staff and suppliers relating to delegated services will be made through cash balances held by the partner organisations (NHS Lothian and East Lothian Council). On this basis no Cash Flow statement has been prepared in this set of annual accounts.

f) Accounting Standards Issued not Adopted

The code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The following accounting standards have been issued but are not yet adopted in the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)

- Annual Improvements to IFRSs (2010-12 and 2012-14 Cycles)
- Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis

These amendments will be adopted in the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom and the IJB will be required to reflect them, as necessary, in its 2016/17 Annual Accounts. It is not anticipated that any of these amendments will have a significant impact on the IJB. In respect of the last item listed above, however the comparator (2015/16) information will also require to reflect the new formats and reporting requirements.

NOTE 2 RELATED PARTY TRANSACTIONS

The East Lothian Integration Joint Board was established on 1 July 2015 as a joint board between East Lothian Council and NHS Lothian. In 2015/16 there were no financial transactions made relating to delegated health and social care functions as functions are not delegated by partners to the Integration Joint Board until 1 April 2016. The income received from the two parties was as follows;

	2015/16 £000
NHS Lothian	26
East Lothian Council	26
Total	<u><u>52</u></u>

Expenditure relating to the two parties was as follows;

	2015/16 £000
NHS Lothian	26
East Lothian Council	26
Total	<u><u>52</u></u>

	2015/16 £000
Staff Costs	48
Admin Costs	0
Audit Fees	5
Total	53

The IJB was in receipt of NHS Lothian and East Lothian Council support services in 2015/16. The Integration Scheme lays out that no charge will be made by either NHS Lothian or East Lothian Council for these services. This includes the provision of a Chief Finance Officer, strategic planning services, accommodation, HR and transactional services. These services were provided by both the Council and NHS Lothian. Staff costs in 2015/16 were for the IJB Chief Officer.

No non-audit fees were paid to KPMG LLP in the period.

NOTE 3 MOVEMENT IN RESERVES

	2015/16 £000
Usable Reserves – General Fund brought forward	0
Surplus/(deficit) on provision of services	0
Other comprehensive expenditure and income	0
Total comprehensive expenditure and income	0
Total General Fund balance carried forward	0

NOTE 4 POST BALANCE SHEET EVENTS

No material events have occurred post the balance sheet reporting date.

NOTE 5 CONTINGENT LIABILITIES & ASSETS

There are no contingent liabilities or assets to disclose.

NOTE 6 EMPLOYEE BENEFITS

The Chief Officer is regarded as an employee of the IJB although their contract of employment is with NHS Lothian.

The post is funded by the IJB however the statutory responsibility for employer pension liabilities rests with the employing partner organisation (NHS Lothian).

The remuneration report presents the pension entitlement attributable to the post of the IJB Chief Officer but that the IJB has no formal ongoing pension liability. East Lothian integration Joint Board will be expected to fund employer pension contributions as they become payable during the Chief Officer's period of service. On this basis there is no pensions liability reflected on the IJB balance sheet for the Chief Officer.

6. Independent Auditors Report

Independent auditor's report to the members of East Lothian Integration Joint Board and the Accounts Commission for Scotland

We certify that we have audited the financial statements of East Lothian Integration Joint Board for the period ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise of the Comprehensive Income and Expenditure Statement, Balance Sheet and the related notes. 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 2015/16 (the 2015/16 Code).

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 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the body and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2015/16 Code of the state of the affairs of the body as at 31 March 2016 and of the income and expenditure of the body for the period then ended;

- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 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.

Opinion on other prescribed matters

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

Andrew Shaw (for and on behalf of KPMG LLP)
20 Castle Terrace
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