

Aberdeenshire Integration Joint Board

2017/18 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Aberdeenshire Integration Joint Board and the Controller of Audit
12 September 2018

Who we are

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

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



About us

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

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

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

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Key messages

2017/18 annual report and accounts

- 1 In our opinion Aberdeenshire Integration Joint Board's (IJB) financial statements give a true and fair view and were properly prepared.
- 2 The audited part of the remuneration report, management commentary and annual governance statement were all consistent with the financial statements and prepared in accordance with proper accounting practice and relevant guidance.

Financial management and sustainability

- 3 The IJB has appropriate and effective budgetary processes in place which provide timely and reliable information for monitoring financial performance.
- 4 The IJB incurred a deficit of £3.5m and in accordance with its integration scheme, additional funding contributions were made by partners to enable the IJB to report a balanced financial position.
- 5 Effective medium term financial planning processes are in place - the 2018/19 break-even budget position was approved in March 2018, priority budget areas have been identified for scrutiny as part of plans to deliver savings of £5.3m and an IJB Finance Group has been established.

Governance and transparency

- 6 Now that the audit committee has been in place for 2 years, the effectiveness of its scrutiny arrangements and terms of reference should be reviewed.
- 7 The board operates in an open and transparent manner with all board meetings and supporting papers available to the public online.

Value for money

- 8 Best Value arrangements should be enhanced when planned improvements in performance management, and strategic and workforce planning are implemented.
- 9 While the IJB performs above the national average in 14 out of 19 national indicators, its overall performance has reduced compared to the previous year.
- 10 The content of performance dashboards is currently under review to ensure there is effective scrutiny of the right local indicators and targets.
- 11 Work is underway to produce the board's next three year strategic plan. It needs to be more specific in setting out priorities, outcomes and targets so that progress against milestones is regularly reported to and monitored by the board.
- 12 The board recognises that workforce and locality plans produced during the year are in their infancy and arrangements have been put in place for the next round of plans to more clearly link with longer term priorities.

Introduction

1. This report is a summary of our findings arising from the 2017/18 audit of Aberdeenshire Integration Joint Board, hereby referred to as the 'IJB'.
2. The scope of our audit was set out in our Annual Audit Plan presented to the March 2018 meeting of the Audit Committee. This report comprises the findings from:
 - an audit of the IJB's annual accounts
 - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1

Audit dimensions



Source: *Code of Audit Practice 2016*

3. The main elements of our audit work in 2017/18 have been:
 - a review of the IJB's main financial systems
 - an audit of the IJB's 2017/18 annual accounts including issuing an independent auditor's report setting out our opinions
 - consideration of the four audit dimensions.
4. The IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.

- 5.** The IJB is responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
- 6.** Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice \(2016\)](#) and supplementary guidance, and International Standards on Auditing in the UK.
- 7.** As public sector auditors we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of the IJB's financial position and arrangements for securing financial sustainability, and the suitability and effectiveness of its governance and value for money arrangements including transparency and performance management. In doing this, we aim to support improvement and accountability.
- 8.** Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice \(2016\)](#) and supplementary guidance.
- 9.** The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work, and may not be all that exist.
- 10.** Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation.
- 11.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can confirm that we have not undertaken any non-audit related services and therefore the 2017/18 audit fee of £24k, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Adding value through the audit

- 12.** Our aim is to add value to the IJB by increasing insight into, and offering foresight on financial sustainability, risk and performance and by identifying areas of improvement and recommending / encouraging good practice. In so doing, we aim to help the IJB promote improved standards of governance, better management and decision making and more effective use of resources.
- 13.** This report is addressed to both the board and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk.
- 14.** We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

Part 1

Audit of 2017/18 annual accounts



Main judgements

In our opinion Aberdeenshire IJB's financial statements give a true and fair view and were properly prepared.

The audited part of the remuneration report, management commentary and annual governance statement were all consistent with the financial statements and prepared in accordance with proper accounting practice and relevant guidance.

Audit opinions on the annual accounts

15. The annual accounts for the year ended 31 March 2018 were approved by the IJB audit committee 12 September 2018. We reported within our independent auditor's report that in our opinion:

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

16. Additionally, we have nothing to report in respect of misstatements in information, the adequacy of accounting records, and the information and explanations we received.

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

Submission of annual accounts for audit

17. We received the unaudited financial statements on 20 June 2018, in line with our agreed audit timetable. However, given the earlier conclusion of the audit of NHS Grampian's financial statements which consolidates the results of 3 IJBs, including Aberdeenshire, there is a commitment between finance officials across Grampian to work towards an earlier close of IJB accounts so that the process of agreeing balances between partners is simplified.

18. The IJB's Chief Finance Officer is also the Head of Finance for Aberdeenshire Council and consequently, his team provides finance and accounting support to the IJB.

19. Satisfactory working papers were provided with the unaudited financial statements and good support was provided to the audit team which helped ensure the final accounts audit process ran smoothly.

20. The adult social care ledger is maintained within the council's ledger and information is received from NHS Grampian finance to enable consolidated results to be prepared for the IJB. There is close working between finance colleagues across the NHS Grampian area.

Risks of material misstatement

21. [Appendix 2](#) provides a description of those assessed risks of material misstatement that were identified during the planning process, wider dimension risks, how we addressed these, and our conclusions.

Materiality

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

23. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. We assess the materiality of uncorrected misstatements, both individually and collectively. The assessment of materiality was recalculated on receipt of the unaudited financial statements and no amendment was considered necessary. [Exhibit 2](#) summarises our materiality values.

Exhibit 2

Materiality values

Materiality level	Amount
Planning materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure based on the latest audited accounts.	£3.2m
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 70% of planning materiality.	£2.2m
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 5% of planning materiality or a minimum of £100k.	£100k

Source: Audit Scotland, 2017/18 Annual Audit Plan

Evaluation of misstatements

24. There were no material adjustments to the unaudited financial statements arising from our audit. In addition, there were no unadjusted misstatements which require to be reported.

Significant findings from the audit in accordance with ISA 260

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

26. The findings include our views about significant qualitative aspects of the board's accounting practices, for example, misstatements in the annual accounts and accounting estimates and judgements.

Exhibit 3

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Management Commentary</p> <p>While a high quality management commentary was provided with the annual accounts, it needed strengthening in three important areas to meet the requirements of Scottish Government regulations. The relevant areas were:</p> <ul style="list-style-type: none"> - more commentary on performance - a high level list of risks was provided (sign posted to the risk register). The regulations however require a commentary on the key risks, the board's concerns and the steps taken by the board to mitigate the risks - additional detail in the outlook section <p>There was a risk that the IJB was not complying with relevant regulations.</p>	<p>Matters were discussed with officers and additional commentary added to the revised accounts.</p>
<p>2. Annual Governance Statement (AGS)</p> <p>The AGS did not reflect evidence of an effectiveness review as required by the CIPFA/SOLACE good governance framework.</p> <p>There was a risk that the IJB was not complying with relevant regulations.</p>	<p>The matter was raised with officers and the AGS revised. More needs to be done to ensure that an annual self-evaluation is carried out as standard practice, and that arrangements are put in place to ensure that the results of the self-evaluation are considered by the management team and the Audit Committee.</p> <p style="text-align: right;">Refer Action Plan, Recommendation 1</p>

Good practice in financial reporting

27. The annual accounts largely reflect good practice as set out in the Audit Scotland good practice note on '[Improving the quality of local authority accounts – integration joint boards](#)' (April 2018).

Part 2

Financial management and sustainability



Main judgements

The IJB has appropriate and effective budgetary processes in place which provide timely and reliable information for monitoring financial performance.



The IJB incurred a deficit of £3.5m and, in accordance with the integration scheme, additional funding contributions were made by partners to enable the IJB to report a balanced financial position.

Effective medium term financial planning processes are in place - the 2018/19 break-even budget position was approved in March 2018, priority budget areas have been identified for scrutiny as part of plans to deliver savings of £5.3m and an IJB Finance Group has been established.

Financial management

28. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering several factors, including whether:

- the Chief Finance Officer has sufficient status to be able to deliver good financial management
- financial regulations and standing orders are comprehensive, current and promoted within the IJB
- reports monitoring performance against budgets are accurate and provided regularly to budget holders
- IJB members provide a good level of challenge and question budget holders on significant variances.

29. Overall the financial management within the IJB is considered to be satisfactory, with appropriate monitoring reports being regularly submitted to the board for scrutiny.

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

Systems of internal control

30. Due to the nature of the IJB, it does not operate any key financial systems, such as payroll and ledger systems. Instead it relies on the systems used by its partner bodies. In accordance with ISA 402: Audit considerations relating to an entity using a service organisation; we sought assurances from the external auditor of NHS Grampian and Aberdeenshire Council as part of our planned audit approach. We are satisfied there were no significant weaknesses in the systems of internal control in either body that would have a material impact on the IJB.

Financial performance in 2017/18

31. The IJB does not have any assets, nor does it directly incur expenditure or employ staff, although the position of Chief Officer is regarded as staff in accordance with regulations. All funding and expenditure for the IJB is incurred by Aberdeenshire Council and NHS Grampian as the partner bodies with transactions processed in their accounting records. Satisfactory arrangements are in place to identify this income and expenditure and report this financial information to the IJB.

32. The agreed budget for 2017/18 was set at a breakeven position although the budget setting process proposed budget savings of £3.5m and generally recognised challenges regarding caring for an ageing population, tackling recruitment issues, and the board's ability to achieve sustainable efficiencies going forward.

33. Regular reporting by the Chief Finance Officer provided the board with clear information on actual and forecast positions. Financial performance in 2017/18 was largely in line with in-year projections. In summer 2017, financial monitoring reports anticipated an overspend of £2.8m which increased to £4.8m by December 2017 but reduced by £1.3m by March 2018 to return an overall deficit of £3.5m for the financial year. This was subsequently met by additional contributions from partners.

34. The board identified three key areas of overspend – community hospitals, care at home and prescribing. All three areas featured in the financial recovery plan agreed by the board in October 2017 and these areas also featured in 2018/19 budget savings initiatives. [Exhibit 4](#) sets out a comparison of financial performance against budget.

Exhibit 4

Performance against budget

IJB budget objective summary	Budget £m	Actual £m	Variance £m
Net Expenditure	303	307	(4)
Directed by NHS Grampian	169	173	(4)
Directed by Aberdeenshire Council	130	132	(2)
Spending from Integrated Care and Delayed Discharge funding	4	2	2
Total Net Expenditure	303	307	(4)
Additional contributions from partners	-	4	4

Source: IJB Annual Accounts

Financial planning

35. The IJB allocates the resources it receives from the health board and the council in line with its Strategic Plan.

36. The IJB demonstrated good practice by approving its 2018/19 budget in March 2018, in advance of the start of the financial year. The budget was approved after detailed consideration of the strategic priorities and agreement to make budget savings of £5.3m. The figures reflect assumptions for increased pay in response to the ending of the public sector pay gap.

37. During the year, the board held several development sessions to review budget pressures and identify areas for review. The Virtual Community Ward continues to be a flagship initiative for the IJB. Around 1,500 people have now been supported at home across Aberdeenshire who would previously have required admission to hospital. Specific budgets being targeted with a view to reducing costs include: bank and agency nursing costs in community hospitals, minor injury units, also in community hospitals, and the cost of prescription drugs.

38. In March 2017, the board acknowledged the need to look beyond the current year when creating its financial plans by agreeing the development of a 5 year strategy. The medium term financial strategy now includes budgets for 5 years to 2022/23 and has identified a total funding gap of approx. £7m.

39. While the board has challenges ahead in delivering the necessary savings and managing the funding gap, it has effective medium term financial planning processes in place and is working well with partners.

Good Practice

40. In March 2018, the IJB Finance Group was established and currently meets regularly in advance of the budget setting process, to gain a better understanding of the board's income, expenditure and cost pressures. The group includes the IJB Chair and Vice Chair supported by the Chief Officer and Chief Finance Officer.

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.

Part 3

Governance and transparency



Main judgements

Now that the audit committee has been in place for 2 years, the effectiveness of its scrutiny arrangements and terms of reference should be reviewed.

The board operates in an open and transparent manner with all board meetings and supporting papers available to the public online.

Governance arrangements

41. The Aberdeenshire IJB has voting and non-voting members. The voting members comprise five councillors from Aberdeenshire Council, and five board members, including an executive director, from NHS Grampian. The non-voting members include the Chief Officer, the Chief Finance Officer, professional advisers and others representing specific interest groups.

42. The board is responsible for the management and delivery of health and social care services in Aberdeenshire and is supported by an Audit Committee, Clinical and Social Work Governance Committee and a Strategic Planning Group.

43. The board is also supported in its work by the Chief Officer and Chief Finance Officer. The former provides strategic and operational advice to the board, while the latter is responsible for financial management including budget monitoring reports.

44. The board met on nine occasions during 2017/18. We review minutes of board meetings to assess its effectiveness and periodically observe meetings for a greater insight into proceedings.

45. There is a strong ethos of partnership working across the public sector in the north east of Scotland. The North East Scotland Partnership Steering Group provides the opportunity for NHS Grampian board members to meet with the chairs and chief officers of the three IJBs in the area. In addition, there are regular senior officer meetings involving NHS Grampian's Chief Executive and the council Chief Executive for the appropriate IJB area along with the relevant IJB Chief Officer and Chief Finance Officer. Our discussions with members and officers confirmed that these arrangements were working well.

46. In May 2016, the board approved the establishment of an audit committee with the remit of providing assurance to the board that appropriate systems of internal control are in place and that the IJB's business is conducted in accordance with all laws and regulations. Membership of the audit committee comprises four voting members from the IJB, two from each of the partner bodies.

47. We regularly participate in audit committee meetings and review agenda papers. Business to date has largely focused on reports from internal and external audit and consideration of the board's annual accounts. Now that the committee has been operating for a couple of years, in our view it would not be appropriate timing to undertake a review of the operation and effectiveness of the committee.

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.

48. In view of the requirement of the Local Authority Accounts (Scotland) Regulations 2014 for audit committees (or similar) to consider findings from an annual review of internal controls, the IJB audit committee should have oversight of the board's effectiveness review of governance arrangements and formally consider the outcome of this review. We commented earlier on the improvement required in this area as part of our consideration of the Annual Governance Statement (para 26/Exhibit 3). We also note from the committee's terms of reference that it has responsibility for monitoring the effectiveness of the board's risk management arrangements but to date, it has not considered this matter.

Refer Action Plan, Recommendation 2

Transparency

49. Transparency means that the general public has access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using resources.

50. There is evidence from a number of sources which demonstrate the IJB's commitment to transparency including the fact that, to date, all meetings have been held in public and, as far as is appropriate, all items on the agendas have been discussed in open session.

51. In addition, full details of the meetings held by the IJB are available through Aberdeenshire Council's website, where access is given to committee papers and minutes of meetings. The IJB receives regular financial monitoring reports which are clear and concise, and have been tailored to the specific needs of the board.

52. Overall, we have concluded that the IJB conducts its business in an open and transparent manner that is appropriate for a public sector body.

Internal audit

53. Internal audit provides the IJB board and Chief Officer with independent assurance on the IJB's overall risk management, internal control and corporate governance processes.

54. The board's appointed internal auditor is Aberdeenshire Council's Chief Internal Auditor. In respect of 2017/18, he concluded that reasonable assurance could be taken from the controls the board had in place.

55. As part of the assurances we have taken from the external auditor of Aberdeenshire Council, we have placed reliance on the auditor's assessment of internal audit which concluded that internal audit operated in accordance with Public Sector Internal Audit Standards (PSIAS) and has sound documentation, standards and reporting procedures in place. In accordance with our Annual Audit Plan, this assurance forms part of our wider dimension work.

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

56. As the IJB effectively only has one employee, it does not have its own specific fraud policy, but through its financial regulations, it has adopted the policies of its partner bodies and refers relevant parties to these policies. There is an outstanding recommendation from our 2016/17 report for the IJB to also adopt partners' whistle blowing policies. This is scheduled to be implemented in the next update of the Financial Regulations which is expected to take place in the coming weeks in line with a two year review cycle. In addition, the IJB has an approved Code of Conduct which sets out requirements for members to complete Registers of Interest and record of Gifts and Hospitality. We confirmed that the IJB's Standards Officer ensures these records are kept up to date.

57. Assurances from the external auditor of NHS Grampian have confirmed that significant work has been undertaken to strengthen its arrangements for completion of Gifts and Hospitality records. In Aberdeenshire Council, work is in progress in response to external audit recommendations to refresh its fraud policy and extend its arrangements for registers of interest.

58. Overall, we have concluded that satisfactory arrangements are in place.

Part 4

Value for money



Main judgements

Best Value arrangements should be enhanced when planned improvements in performance management, and strategic and workforce planning are implemented.

While IJB performs above the national average in 14 out of 19 national indicators, its overall performance has reduced compared to the previous year.

The content of performance dashboards is currently under review to ensure there is effective scrutiny of the right local indicators and targets.

Work is underway to produce the board's next three year strategic plan. It needs to be more specific in setting out priorities, outcomes and targets so that progress against milestones is regularly reported to and monitored by the board.

The board recognises that workforce and locality plans produced during the year are in their infancy and arrangements have been put in place for the next round of plans to more clearly link with longer term priorities.

Value for money and performance management

59. Best Value duties apply to accountable officers across the public sector. As part of this year's audit, IJB auditors have looked at how the IJB demonstrates that it is meeting its Best Value duties

60. To achieve value for money the IJB should have effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.

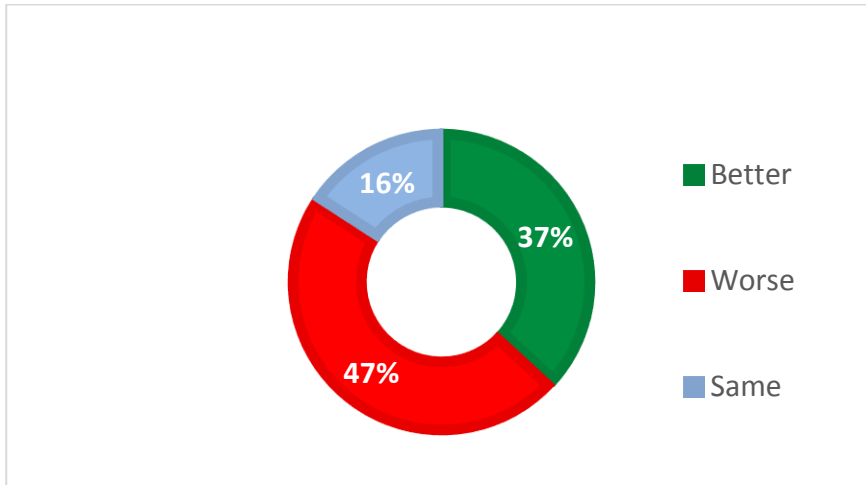
61. The board receives performance reports on a quarterly basis in the form of a dashboard which are also available on the council's website. These reports provide a link between the strategic priorities set by the board, and the board's performance against local and national standards. The content of performance reports has been the subject of regular discussion by the board during the year to identify the level and type of information board members need for effective scrutiny. Reporting in accordance with the revised performance framework is expected to commence in summer 2018.

62. In addition to quarterly reports, the second Annual Performance Report was approved by the board and published in July 2018. The IJB reported scores above the Scottish average in 14 out of 19 national indicators. For example, these indicators include measures relating to adults supported at home, emergency admissions and delayed discharges. A comparison of the IJB's results for the current year against the previous year showed that while there was improvement in 37% of indicators, performance declined for 47% of indicators. This is summarised in [Exhibit 5](#).

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

Exhibit 5

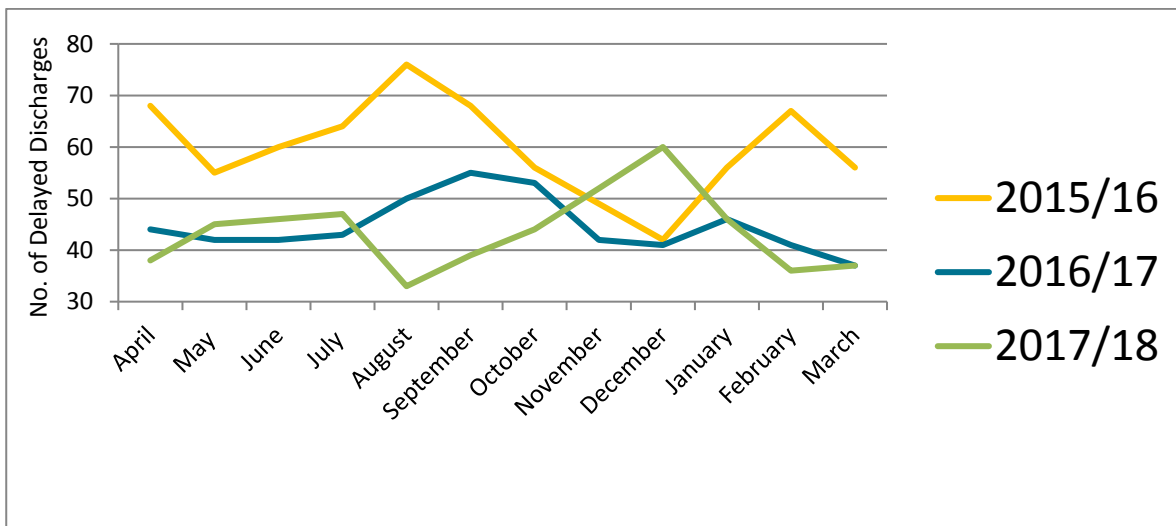
Overall performance -National Core Indicators



63. The IJB has performed well against the Scottish average and showed improvement on the previous year in respect of delayed discharges, emergency admissions and the number of adults who agreed they are supported to live as independently as possible. [Exhibit 6](#) demonstrates the improving position in recent years in respect of delayed discharges. The Management Commentary within the Annual Accounts also highlighted the management of delayed discharges as an achievement for the year.

Exhibit 6

Number of delayed discharges



64. While there was a marginal decline in the performance reported for a number of indicators, there are some which had fallen more substantially. Indicators recorded as below the Scottish average included readmission to hospital, the number of adults with intensive needs receiving care at home, and the percentage of adults supported at home who feel that services are well co-ordinated.

65. We noted important improvements in the format of the Annual Performance Report compared with the first year. There is strong evidence of the existence of best value characteristics in IJB arrangements including, for example, the development and review of appropriate planning and review processes. In terms of demonstrating best value however, there is more to do longer term to improve performance reporting and we suggest this is initiated through the strategic planning process referred to below.

Strategic and service planning

66. The IJB's 2016-19 strategic plan is supported by a two year commissioning plan. We concluded that both these documents are fairly high level with detailed objectives being set at programme level. As programmes tend to be operational documents, it is currently difficult for the board to assess progress against its plans.

67. Work is underway to produce the board's next three year strategic plan. These arrangements need to ensure that the next round of planning is more specific in setting priorities, outcomes and targets so that measures are agreed and progress against milestones can be regularly reported to and monitored by the board.

Refer Action Plan, Recommendation 3

68. After a detailed consultation process, five locality plans were agreed in May 2018 covering the local authority areas. An action plan of key priorities has been agreed for each locality and performance measures are currently being developed to enable progress to be monitored. The board recognises that these plans are in their infancy and more work is required to ensure there is a clear trail between future strategic and locality plans. Due to the level of consultation already carried out, locality plans are expected to usefully inform the strategic planning process.

69. The board also needs to take a longer term view of service needs and demands. We would suggest perhaps 20 years horizon scanning and the implications for services, staff and resources be assessed. This will assist the board in embedding integration and planning for change as part of its strategic planning process.

Workforce planning

70. While the IJB does not employ staff, workforce planning is required to demonstrate how an integrated workforce can be developed and it should be extended to include carers and voluntary workers. Aberdeenshire Health and Social Care Partnership prepared an initial workforce plan in February 2017 which will be refreshed on an annual basis. The plan was refreshed during the year but our review confirmed that it continues to provide an analysis of the number and category of staff, age profile, turnover and vacancies. While a narrative is provided setting out recruitment and retention issues and identifies risks around ageing staff and population, work needs to progress to identify future service need and service redesign options in order that gaps in numbers, skills and location can be identified. We would suggest that this is taken forward as part of the strategic planning process.

Refer Action Plan, Recommendation 4

National performance audit reports

71. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2017/18 we published the following reports which are of direct interest to the board:

- [*Self-directed support: 2017 progress report*](#)
- [*NHS in Scotland 2017*](#)

72. Work has been progressed on a second audit of health social care due for publication in November 2018. The first report in December 2015 highlighted significant risks to the success of integration including complex governance arrangements, difficulties in budget setting and consequent delays in strategic planning.

73. The second audit will follow up on these risks and examine changes to the system including evidence of shifts in service from acute to community based services. The study is based around three main questions. How effectively:

- are the integration authorities planning sustainable and preventative community based services to improve outcomes for local people?
- are NHS boards and councils implementing the reform of health and social care integration?
- is Scottish Government supporting the integration of health and social care and evaluating its impact?

Added value

74. During the audit we added value to the work of the IJB by delivering a presentation at a board development session focusing on Best Value arrangements, participating in discussions around the development of the board's Annual Performance Report, and providing advice to strengthen the arrangements supporting the Annual Governance Statement.

Appendix 1

Action plan 2017/18

2017/18 recommendations for improvement



No.	Issue/risk	Recommendation	Proposed management action/timing
1	<p>The Annual Governance Statement did not reflect evidence of an effectiveness review as required by the CIPFA/SOLACE good governance framework.</p> <p>Risk: The IJB is not complying with relevant regulations.</p>	<p>A Code of Governance should be formally approved by the Audit Committee. Thereafter, arrangements should be put in place for an annual self-evaluation of governance arrangements and for this to be formally considered by the Audit Committee as part of the process of approving the Annual Governance Statement.</p> <p>Paragraph 26/Exhibit 3</p>	<p>The revised Action Plan within the Annual Governance Statement now reflects the recommendation. A Code of Governance will be drafted and reported to the IJB Audit Committee for approval and then self-evaluated as part of the annual accounts process.</p> <p>Chief Officer 31 December 2018</p>
2	<p>The scope and effectiveness of the Audit Committee should be reviewed.</p> <p>Risk: The Audit Committee is not operating in accordance with its terms of reference and/or carrying out responsibilities expected of a body charged with governance.</p>	<p>The Audit Committee should consider the results of the annual review of governance arrangements before approving the Annual Governance Statement. In addition, there is scope for it to monitor the effectiveness of risk management arrangements and any other matters identified by a review of its operation to date.</p> <p>Paragraph 48</p>	<p>A review of the scope of responsibilities is underway by the IJB Audit Committee. The Audit Committee will discuss this in September 2018, arrange a Workshop (s) as necessary and report back to the IJB before the end of the financial year.</p> <p>Chief Finance Officer 31 March 2019</p>
3	<p>It is difficult to measure progress against plans due to the absence of targets and milestones.</p> <p>Risk: The board is unable to demonstrate clear direction and monitor progress in the absence of specific plans. This will become more critical during periods of significant change.</p>	<p>Strategic planning needs to be clearer in terms of priorities, outcomes and targets to enable progress against milestones to be regularly reported and monitored. This will also assist the future preparation of the Annual Performance Report.</p> <p>Paragraph 67</p>	<p>Work is currently in progress to develop the Strategic Plan 2019-22. In addition, development sessions will consider appropriate targets and outcomes.</p> <p>Chief Officer 31 March 2019</p>



No.	Issue/risk	Recommendation	Proposed management action/timing
4	<p>An annual workforce plan is prepared which provides a snapshot of the staff numbers and skills in place. There is however no indication of future service needs, location or future staffing pressures.</p> <p><i>Risk: with an ageing workforce especially in rural areas, a need to manage costs within budget and respond to the needs of an increasing population, it is essential that the right resource is in the right place.</i></p>	<p>Longer term workforce planning should be progressed alongside the board's strategic plan to support the development of integrated teams and to inform plans for service redesign.</p> <p>Paragraph 70</p>	<p>These matters have been the subject of a number of discussions that now need to be formalised. Work around the workforce plan and the strategic plan needs to be aligned.</p> <p>Chief Officer 31 March 2019</p>

Appendix 2

Significant audit risks identified during planning

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

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<ul style="list-style-type: none"> Detailed testing of journal entries Review of accounting estimates Focused testing of accruals and prepayments 	<ul style="list-style-type: none"> Assurances taken from audit work carried out on NHS Grampian and Aberdeenshire Council by respective internal and external auditors Disclosures within IJB accounts have been agreed to relevant disclosures within partner bodies' accounts.
<p>2 Completeness of expenditure</p> <p>The transactions for the IJB are recorded through the partner ledgers of NHS Grampian and Aberdeenshire Council. If robust processes are not in place there is a risk that expenditure is miscoded and IJB accounts are under/over-stated.</p>	<ul style="list-style-type: none"> Service auditor assurances from the auditors of partner bodies (Aberdeenshire Council and NHS Grampian) with regard to expenditure incurred, coding structures and completeness and accuracy of data. 	<ul style="list-style-type: none"> Satisfactory service auditor assurances obtained in respect of Aberdeenshire Council and NHS Grampian.
<p>3 Agreement of balances with partners</p> <p>Income, expenditure and year end balances will require to be agreed between the IJB and partner bodies, Aberdeenshire Council and NHS Grampian. There is a risk that procedures for agreement of balances are not in place and therefore balances are not agreed by partners by the relevant dates and thus, delay delivery of the financial statements and impact on partners' group accounts.</p>	<ul style="list-style-type: none"> Continued engagement with officers prior to the accounts being prepared to ensure that the relevant information is disclosed and the timetable is met Service auditor assurances from the auditor of partner bodies (Aberdeenshire Council and NHS Grampian) with regard to income and expenditure for the year and balances held at 31 March 2018. 	<ul style="list-style-type: none"> Balances were agreed between NHS Grampian, Aberdeenshire Council and the IJB in advance of deadlines for the respective bodies' annual accounts Some challenges were experienced between partners in agreeing relevant balances and the analyses of respective balances. Matters were resolved in respect of 2017/18. There is a commitment between finance officials across Grampian to improve the process.

Audit risk	Assurance procedure	Results and conclusions
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>4 Longer term planning</p> <p>While the IJB has a 3 year strategic plan, the extent of longer term forward planning is unclear. With the focus on annual budgets, there is a risk that the integration board will not be able to align financial planning with strategic planning. In the absence of a long term view of community needs, there is a risk that service redesign will not be effective.</p>	<ul style="list-style-type: none"> • Discussion with officers to understand the background to the strategic planning approach and plans for integration and wider community involvement • Ongoing monitoring of financial plans, assumptions and estimates and commentary in our Annual Audit Report. 	<ul style="list-style-type: none"> • Commentary included in Annual Audit Report.
<p>5 Budget overspends</p> <p>The IJB is working with partners to manage an estimated budget shortfall of around £4m. Owing to the demand led nature of several budgets (e.g. prescribing); there are challenges ahead in delivering financial balance if efficiencies are not achieved.</p>	<ul style="list-style-type: none"> • Review budget setting arrangements to determine the level of collaborative working • Review of budget setting reports, financial monitoring and other financial updates considered by the Board • Service auditor assurances will be obtained in respect of funding and balances. 	<ul style="list-style-type: none"> • Commentary included in Annual Audit Report.
<p>6 The impact of integration</p> <p>The IJB approved a 3 year strategic plan covering 2016-19 and this is supported by a refreshed commissioning (change and implementation) plan covering 2017 to 2019. The plan links its programme of work with the IJB's strategic priorities, while detailed actions and target dates are included in operational plans. Planned outcomes and indicators of success are not clear and with workforce planning being at an early stage of development, there is a risk that the IJB will not be able to demonstrate measurable progress in integrating services</p>	<ul style="list-style-type: none"> • Gain an understanding of the extent of single system working • Review of strategic plan, commissioning plan and monitoring reports • Discussion with officers to understand the strategic planning arrangements and the overall approach 	<ul style="list-style-type: none"> • Commentary included in Annual Audit Report.

Aberdeenshire Integration Joint Board

2017/18 Annual Audit Report

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