



Aberdeen City Integration Joint Board

Annual Audit Report for the year ended 31 March 2018. For the Audit and Performance Systems Committee and the Controller of Audit

28 September 2018

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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 ("the 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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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 Council, telephone 0131 527 6673, email: 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. 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.

Purpose, scope and approach

Purpose of this report

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

This annual audit report presents our conclusions in respect of the wider scope matters of Audit Scotland’s Code of Audit Practice (“the Code”). It is addressed to both those charged with governance at the IJB and the Controller of Audit. The areas of wider scope focus were set out in our audit strategy document which was presented to the Audit and Performance Systems Committee (“the APS”) at the outset of our audit.

The Code sets out the wider dimensions of public sector audit which involves consideration of the following audit dimensions:

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

It is the responsibility of the IJB to ensure that it has proper arrangements across each of the audit dimensions. These arrangements should be appropriate to the nature of the Board and the services and functions that it has been created to deliver.

We issued an ISA 260: *Audit report to those charged with governance* report to the June 2018 meeting of the APS, summarising the findings and conclusions from the financial statements audit. The ISA 260 report and this report discharge our year end reporting responsibilities under the Code.

Scope and approach

We review and come to a conclusion on the audit dimensions. Our work to consider these wider scope aspects of the Code was not designed to identify all matters that may be relevant to those charged with governance. We performed a range of procedures to inform our work:

- interviews with senior officers, including the chief officer and chief financial officer;
- review of various committee papers and reports;
- attending committee meetings; and
- consideration of Audit Scotland guidance to draw conclusions on good practice.

We also considered the Accounts Commission’s five Strategic Audit Priorities when considering the audit dimensions:

- the clarity of the IJB priorities and quality long-term planning to achieve these;
- the effectiveness of evaluating and implementing options for significant changes in delivering services;
- how effectively councils are ensuring that members and officers have the right knowledge, skills and time to lead and manage deliver of council priorities;
- how effectively council are involving citizens in decisions about services; and
- the quality of council public performance reporting to help citizens gauge improvements.

Financial position

Overview

The Board is responsible for the strategic planning and delivery of health and adult social care services in Aberdeen. The Board is responsible for services as set out in the Integration Scheme, which includes 'hosted' services provided by the IJB on behalf of the other integration joint boards in Aberdeen: Aberdeenshire and Moray.

2017-18 Financial position

A deficit of £2.1 million is reported in the comprehensive income and expenditure statement ("CIES"), which was funded from the brought forward reserves balance at 1 April 2017.

Comprehensive income and expenditure statement

The IJB has a responsibility to set a breakeven budget each year. For 2017-18 this was achieved based on an agreed use of £2.2 million integration and change funds from carried forward reserves, in addition to budgeted integration and change fund spend.

Budget pressures of £7.0 million were included as part of the 2017-18 budget process. The largest of these were staff increments and pay awards (£2.2 million) and an Aberdeen City Council funding cut of £3.1 million. Pressures in hosted services, prescribing and the apprenticeship levy also contributed to the total budget pressure of £7.0 million. The IJB identified savings of £4.8 million in order to mitigate the financial impact of the budget pressures.

The budget is updated and revised throughout the year as required based on known pressures and actual results achieved. This is reported to the Board to approve the changes made.

Excluding integration and change funds, a deficit of £3.5 million was reported on the mainstream budget as shown in the table opposite. The key under and overspends are described on page five.

Expenditure	Full year revised budget (£000)	2017-18 Actual (£000)	(Under) / over spend (£000)
Community health services	31,576	31,407	(169)
Aberdeen City share of hosted health services	20,569	21,725	1,156
Learning disabilities	30,740	31,270	529
Mental health and addictions	19,976	20,065	89
Older people and physical and sensory disabilities	73,285	72,882	(403)
Head office / admin	(933)	(587)	346
Criminal justice	47	(91)	(138)
Housing	1,861	1,861	-
Primary care prescribing	39,748	41,364	1,616
Primary care	37,257	37,234	(23)
Out of area treatments	1,005	1,480	476
Total mainstream	255,130	258,610	3,480
Integration and change fund expenditure	6,381	5,011	1,370
Met from 2016-17 carried forward reserves	-	(10,417)	(10,417)
Total IJB	261,511	253,204	(8,307)

Source: Finance update as at 31 March 2018 (excludes set aside services)

Financial position (continued)

CIES under and over spends

- Primary care prescribing: overspend £1.6 million. This is attributable to the higher than anticipated average unit cost per prescribed item in 2017-18 (increasing by up to £0.42 per item), driven by drugs on short supply. This is a national issue and one which is also forecast to affect the 2018-19 budget. The clinical director presented a report to the Board on 27 March 2018 to set out the actions being taken by the primary care prescribing group to mitigate the impact on the prescribing budget.
- Hosted services: overspend £1.2 million. The main reasons for the overspend are increased medical locum costs and higher than expected use of the wheelchair service within the intermediate care budget (£0.7 million). A further overspend of £0.4 million was reported in relation to the Grampian Medical Emergency Department.
- Learning disabilities: overspend £0.5 million. Largely due to under-recovery of customer/client receipts (£0.3 million) and staff cost increases for complex care clients (£0.2 million).
- Out of area treatments: overspend £0.5 million. As a result of the number of patients receiving care outside of the Grampian area.

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 balance at year end is made up of £5.2 million owed by NHS Grampian and £3.1 million by Aberdeen City Council. These amounts related to integration and change fund expenditure which has been committed but not yet spent.

Balance sheet	2017-18 (£000)	2016-17 (£000)
Short term debtors	8,307	10,417
Short term creditors	-	-
Net assets	8,307	10,417
Useable reserves	(8,307)	(10,417)
Total reserves	(8,307)	(10,417)

Source: Audited annual accounts for the year ended 31 March 2018

The IJB utilised £2.1 million of reserves brought forward from 2016-17. Of the closing reserves position of £8.2 million, £2.5 million has been earmarked as 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 seven to 11.

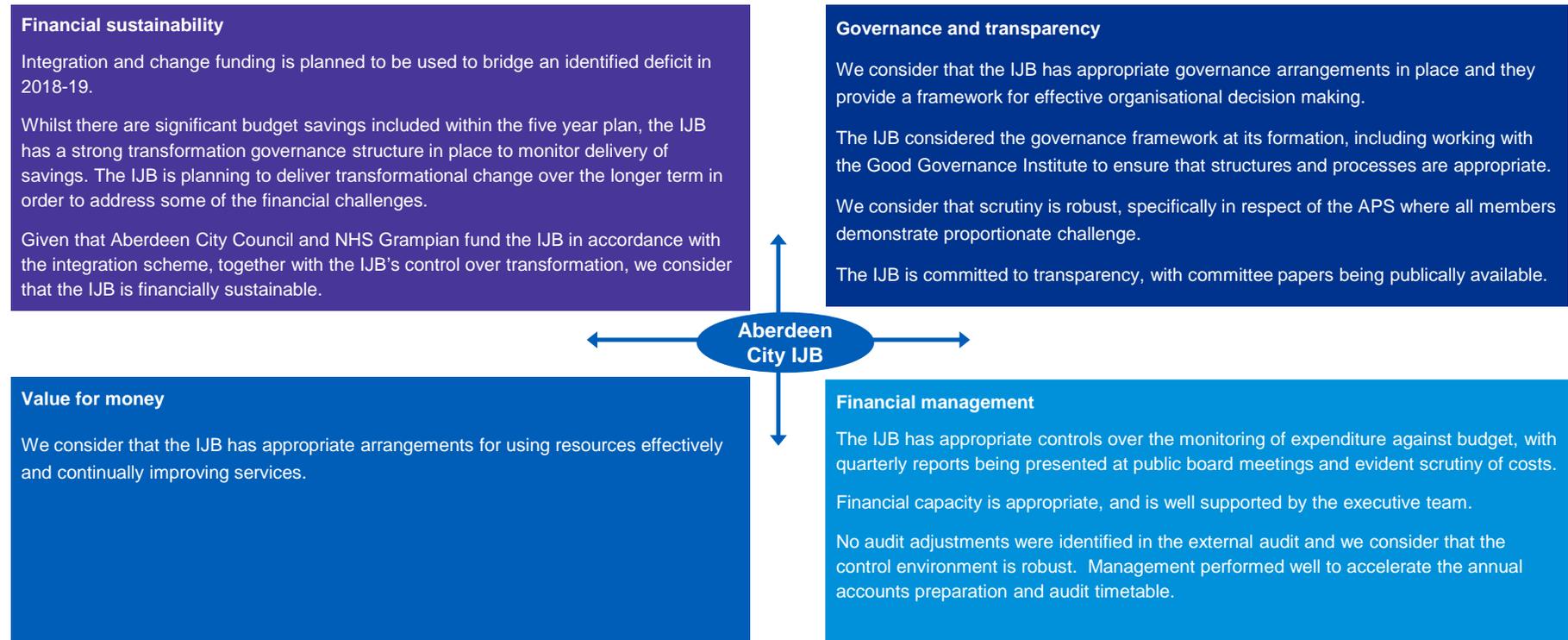
Wider scope and Best Value

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.



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 inherently 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 NHS Grampian and Aberdeen City Council. The IJB budget is set one year in advance, in line with single year budget allocations from Scottish Government. Management used the confirmed funding for the 2018-19 budget to develop a five year medium term financial strategy. Projections for 2019-20 are based on historic trends and planning assumptions.

Both partners are facing financial challenges with demand exceeding resources available. Aberdeen City Council has a savings target of £125 million over the next five years and is implementing a Target Operating Model over the period to 2020-21 to support in delivery of the savings. NHS Grampian has an estimated savings target of £20 million per annum over the next five 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 increasing the budget pressures, such as a projected 10% increase in the number of over 65s in Aberdeen City between 2017 and 2022 and difficulty recruiting to health care professions.

The IJB's budget for 2018-19 is balanced after savings of £0.9 million and by allocating £3.1 million of integration and change funding to bridge the gap. Integration and change funding was also used in 2017-18 in the same way.

This was intended to be a one-off arrangement but has been repeated for 2018-19, but has not been budgeted for 2019-20 onwards.

The IJB has assumed that the Council will pass on its share of the reduction in the Scottish Government grant settlement. This has been offset by an expected increase in NHS funding of 1.5% per annum.

From 2019-20 onwards the IJB has identified budget pressures of around £6 million per annum, and new requirements (such as Scottish living wage cost increases and the national care home contract cost increases) of around £1 million per annum. The medium term financial strategy sets out the required efficiency, transformation programme, medicine management and service redesign savings which are required to deliver a balanced budget.

Five year budgets and savings targets

	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000
Budget pressures	5,849	5,732	5,903	6,081	6,263
New requirements	1,027	910	1,036	1,168	1,305
Total pressures	6,876	6,642	6,939	7,249	7,568
Reduction in Council funding	832	1,901	1,901	1,901	1,901
Earmarked funding	(656)	755	755	-	-
Uplift in NHS funding	(2,846)	(2,846)	(2,846)	(2,846)	(2,846)
Total funding adjustments	(2,670)	(190)	(190)	(945)	(945)
Savings target	4,206	6,452	6,749	6,304	6,623

Source: Medium term financial strategy (27 March 2018)

Wider scope and Best Value

Financial sustainability (continued)

Risk sharing

The integration scheme sets out the process to be followed should the IJB overspend against the agreed budget. The chief financial officer is expected to manage the budget to ensure that there are no overspends. Where an unexpected overspend is likely the chief financial 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. We note that it does not motivate collaborative working between the three parties. For example, overspends in a council-funded area of service may be driven by increased “high outcome” activity which delivers reduced demand in an NHS-funded area of service, given the benefits of “preventative care”. There is no consideration for this in the integration scheme.

Reserves strategy

The IJB approved a reserves policy in October 2016 which sets out the statutory and regulatory framework for reserves, the operation of these reserves and the role of the chief financial officer in determining the adequacy of reserves held by the IJB. The projected reserves position for 2018-19 was approved with the medium term financial strategy on 27 March 2018. The position, set out in the table opposite, includes a £2.5 million risk fund which was approved by the board in the prior year. This is a prudent approach by the IJB and is intended to create a contingency for unexpected events.

2018-19 reserves	£ million
Budgeted opening reserves	9.4
New resources	18.3
Transformation programme commitments	(6.3)
Living wage and sleepover commitments	(12.5)
Operational allocations	(3.1)
Closing reserves	5.8

The annual accounts as at 31 March 2018 were prepared on a going concern basis. The IJB is in its infancy and is at the start of plans to transform services, however it had reserves of £8.3 million as at 31 March 2018.

Transformation programme

The Board receives regular updates on progress towards transformation projects. Key decisions are presented to the Board for approval. The APS also receives detailed updates into transformation progress including deep dives into specific areas at request. Priority areas are:

- Acute care at home.
- Supporting management of long term conditions – building community.
- Capacity.
- Modernising primary and community care.
- Culture change / organisational change.
- Strategic commissioning and development of social care.
- Information and communication technology and technology enabled care.

Wider scope and Best Value

Financial sustainability (continued)

A strong governance structure has been put in place to ensure effective operational and executive oversight of the transformation program. It is recognised that the transformation programme will require time to deliver anticipated saving and other benefits. 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.

Scotland's new financial powers and EU withdrawal

For the risks presented by each of these areas, the IJB's primary response is to consider the actions taken by Aberdeen City Council and NHS Grampian, being the funders and commissioned bodies. Through the established risk management framework of the IJB, risks which directly impact the body are considered and managed.

Conclusion

Whilst there are significant budget savings included within the five year plan, the IJB has a strong transformation governance structure in place to monitor delivery of savings. High level themes have been developed to achieve budget savings.

Given that Aberdeen City Council and NHS Grampian 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.

In forming this conclusion we note the views of the appointed auditors for the partner bodies, neither of which raised exceptions in respect of financial sustainability.

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 a reasonable 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 APS. From our 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 performed controls testing over the budgeting process including the monitoring of budgets throughout the year. We found that budget reports were presented to the Board and APS on a timely basis and that overspends are appropriately discussed and challenged.

An internal review was carried out comparing the IJB's financial governance arrangements to the financial governance requirements contained in the "*Role of the Chief Financial Officer in Local Government (2016)*". This review considered points such as ensuring the provision of clear, well presented, timely, complete and accurate information and reports to budget-holders. There are some areas of future development noted in the report, however on the whole the report demonstrates good compliance with the CIPFA requirements.

Internal audit

The IJB has an internal audit function which undertake reviews at both the IJB level and the local authority level. NHS Grampian has its own internal audit function, however any reviews specific to the IJB are shared with the Board and audit and performance systems committee. Internal audit completed six internal reviews during 2017-18 (with one still in draft, and one to be complete). There were no recommendations graded as 'major', 'critical' or 'high'.

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 internal control system.

At the date of issuing this opinion (2 April 2018) the chief internal auditor noted that one recommendation was overdue. This recommendation was in relation to the development of the scheme of delegation. Management noted that this recommendation could not be progressed until the Aberdeen City Council delegations had been finalised. The recommendation has now been actioned.

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.

Wider scope and Best Value Financial management (continued)

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 Aberdeen City Council and NHS Grampian finance teams. Finance function capacity is considered to be appropriate, and is supported by a full executive team.

The Council provides induction and ongoing training for both elected members and other Board members. An induction session was held for new elected members following the May elections. This was open to all Board members and was intended to give an understanding of the IJB and also covered governance issues such as the code of conduct and the Nolan principles. 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.

Annual accounts

The 2017-18 annual accounts preparation was brought forward by 4 weeks compared to 2016-17, to fit into Aberdeen City Council's accelerated timetable. Management issued unaudited annual accounts to the Board on 22 May 2018. The audit was conducted from 21 May 2018 and no audit adjustments were identified. Management performed well to accelerate the timetable whilst maintaining quality.

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 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 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. The integration scheme between Aberdeen City Council and NHS Grampian also sets out key governance arrangements.

The Board comprises a wide range of service users and partners including elected councillors nominated by Aberdeen City Council and directors nominated by NHS Grampian. As noted in the 2016-17 annual audit report, following the local government elections in May 2017 new elected members joined the Board. An induction session was arranged for these new members, and was open to any member of the Board. This provided the members with an understanding of the IJB and its role. Training for IJB members is now provided as and when required in the form of workshops following Board meetings.

The APS reviews the overall internal control arrangements of the board and makes recommendations to the IJB regarding signing of the governance statement.

A second committee, the clinical care and governance committee, focuses on clinical assurance.

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 Aberdeen City Council and the Chief Executive of NHS Grampian and provides regular reports to both the council and the NHS board.

The Board and APS 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 APS. 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 with the Board receives assurance. It also describes the escalation process.

Risk management

The IJB has worked with the Good Governance Institute in 2016-17 to review all of its governance arrangements, which included carrying out a review of the IJB's assurance framework. 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 APS.

Internal control

Aberdeen City Council and NHS Grampian 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.

Wider scope and Best Value Governance and transparency (continued)

Internal audit

Internal audit provides the IJB and Chief Officer with independent assurance on the IJB's overall risk management, internal control and corporate governance processes. Each partner organisation has its own internal audit service, with Chief Internal Auditor of Aberdeen City Council also holding the appointment of Chief Internal Auditor of the IJB.

The IJB's Chief Internal Auditor uses the results of the audit work carried out at Aberdeen City Council and NHS Grampian to form an opinion on the Board's systems of governance, risk and internal control. For 2017-18 the Board's Chief Internal Auditor concluded that reasonable assurance can be placed on the adequacy and effectiveness of the Board's systems of governance, risk and internal 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. NHS Grampian 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 APS committee are available through the Aberdeen City Council 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 APS 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.

Authorisation and approvals

The Chief Officer can only approve expenditure up to £50,000, with anything larger subject to approval from the local authority or NHS board. These directions are disclosed in the IJB minutes meaning that significant items of expenditure are publicly visible.

Wider scope and Best Value (continued)

Governance and transparency (continued)

Response to cyber security

The Scottish Government published the Public Sector Action Plan for cyber resilience in November 2017. It aims to ensure that Scotland's public bodies work towards becoming exemplars of cyber resilience.

The EU General Data Protection Regulation ("GDPR") came into effect from 25 May 2018. In response the IJB approved the appointment of a data protection officer on 22 May 2018. The IJB has minimal data controller responsibilities as the partners retain responsibility for operational delivery of functions and services. The Council's chief officer – governance and NHS Grampian's information governance lead are, therefore, responsible for the majority of the IJB's data controller responsibilities. For the small amount of data controller responsibilities which do remain with the IJB, the Board resolved to approve the role of data protection officer and instructed the chief officer to request that NHS Grampian's information governance lead takes on this role.

Chief Officer

The IJB's chief officer, Judith Proctor, formally tendered her resignation on 14 March 2018 to take up the same role at the Edinburgh City IJB. Sally Shaw was appointed on 10 April 2018 in the interim chief officer role, providing the IJB with continued leadership whilst a permanent chief officer is appointed. We consider that this approach is sensible and enables a well considered appointment to be made.

Conclusion

We consider that the IJB has appropriate governance arrangements in place 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 Aberdeen City Council and NHS Grampian 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. An updated performance dashboard is presented to the Board annually (31 October 2017) and an annual performance report (22 August 2018) is also presented. These reports summarise performance to date towards the nine national health and wellbeing outcomes and the IJB's local strategic outcomes. Improvements have been made to these performance reports following feedback from the IJB members, for example a red, amber, green rating is now used to make it easier for members to identify areas requiring improvement and movement in indicators from the prior period.

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.

Workforce planning

The IJB's workforce plan is being developed. There is a workforce plan which includes health staff, however, this is being extended to include all IJB staff. Once complete this will reflect the NHS approach to workforce planning. The executive team has approved work to date, however the workforce plan has still to be approved by the Board. There is a risk, given the demographics of the workforce, that without a workforce plan in place there could be a detrimental impact to the achievement of the IJB's strategy.

Recommendation one

End of public sector pay cap

The Scottish Government has stated its intention for the 1% public sector pay cap which has applied for seven years is being lifted. It is not clear when increases will take effect or how they will be funded.

To mitigate the uncertainty risk surrounding pay increases the IJB included in its five year plan an assumption that the pay increases announced for NHS staff will be similar to that agreed for council staff.

Conclusion

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

We propose one recommendation in relation to the workforce plan.

Action plan

The action plan summarises specific recommendations arising from our work, together with related risks and management's responses.

We present the identified findings across three audit dimensions:

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

Priority rating for recommendation

Grade one (significant) observations are those relating to business issues, high level or other important internal controls. These are significant matters relating to factors critical to the success of the organisation or systems under consideration. The weaknesses may therefore give rise to loss or error.

Grade two (material) observations are those on less important control systems, one-off items subsequently corrected, improvements to the efficiency and effectiveness of controls and items which may be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified.

Grade three (minor) observations are those recommendations to improve the efficiency and effectiveness of controls and recommendations which would assist us as auditors. The weakness does not appear to affect the availability of the control to meet their objectives in any significant way. These are less significant observations than grades one or two, but we still consider they merit attention.

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
<i>Audit dimension: Value for money (page 15)</i>		Grade three
The IJB's workforce plan is being developed. Once complete this will reflect the NHS approach to workforce planning. The executive team has approved work to date, however the workforce plan has still to be approved by the Board. There is a risk, given the demographics of the workforce, that without a workforce plan in place there could be a detrimental impact to the achievement of the IJB's strategy.	The IJB should progress workforce planning to identify and address potential skills gaps.	Management response: Agreed Responsible officer: Chief Finance Officer Implementation date: 31 March 2019



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