

Aberdeenshire Integration Joint Board

2019/20 Annual Audit Report



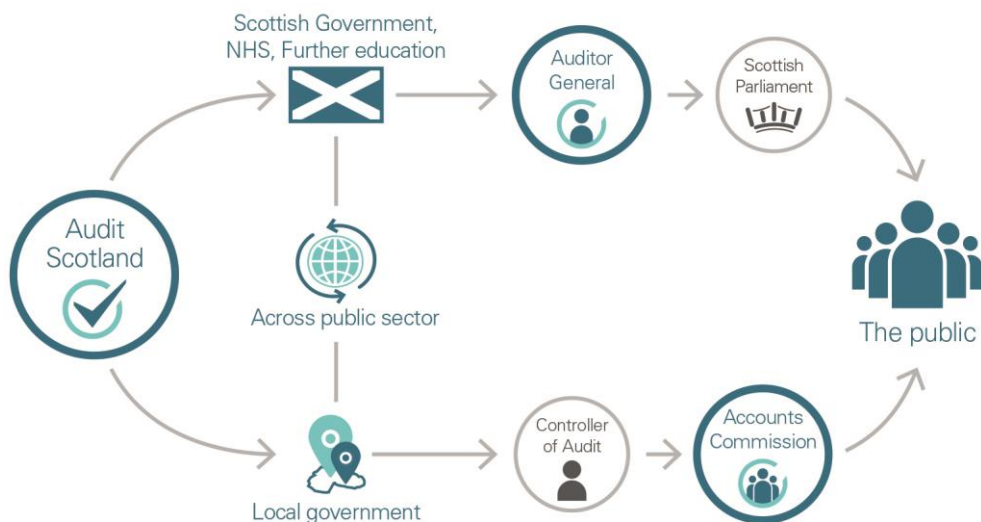
Prepared for the Members of Aberdeenshire Integration Joint Board and the Controller of Audit

30 September 2020

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

2019/20 annual accounts

- 1 The financial statements of Aberdeenshire Integration Joint Board (IJB) give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 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.
- 3 The IJB's annual accounts preparation was not delayed by the impact of Covid-19 but the audit timetable was delayed by one month.

Financial management and sustainability

- 4 The IJB has appropriate and effective budgetary processes in place which provide timely and reliable information for monitoring financial performance. Work will be undertaken jointly with NHS Grampian and other local IJBs to improve monitoring arrangements for family health service contractors.
- 5 The IJB incurred a deficit of £5.6m and in accordance with its integration scheme, additional funding contributions were made by partners. This, along with the use of reserves, enabled the IJB to report a balanced financial position in the annual accounts.
- 6 The Medium Term Financial Strategy is being refreshed and should be supported by scenario planning to consider options in managing demand led budgets.
- 7 The IJB's costs form part of NHS Grampian's Covid-19 remobilisation plans as submitted to the Scottish Government. These plans reflect the combined health and social care funding requirements for the NHS board area to continue to respond to the pandemic through to 31 March 2021.

Governance and transparency

- 8 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board and its committees.
- 9 In response to Covid-19, the board quickly made the transition to virtual meetings but opted to delay the submission of its Annual Performance Report until October 2020, as permitted by revised Scottish Government guidance.

Value for money

- 10** Robust arrangements were put in place for the production of the board's Strategic Plan 2020-25 including community engagement processes and consultation with stakeholders. Measurable outcomes and targets are being developed and will form part of the work arising from the Strategic Delivery Plan.
- 11** Effective best value arrangements are in place including medium term financial planning, workforce planning and a performance management framework. These are currently subject to review to ensure there is proper alignment with the new strategic plan.
- 12** Grampian system wide work is being undertaken to manage delegated budgets for hospital services and the 'set-aside' budget. Initial progress in this area has been demonstrated through the minor injuries review.
- 13** Arrangements will be further enhanced through the implementation of the Community Based Health and Social Care Framework. As an early adopter of the framework, Aberdeenshire IJB will be leading the way on identifying and promoting good practice.

Introduction

1. This report summarises the findings from our 2019/20 audit of Aberdeenshire Integration Joint Board (IJB). The scope of our audit was set out in our Annual Audit Plan which was presented to the Audit Committee on 25 February 2020. This report comprises the findings from our:

- audit of the IJB's annual accounts
- consideration of the wider dimensions that frame the scope of public audit as set out in the [Code of Audit Practice 2016](#) and illustrated in [Exhibit 1](#).

Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

2. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, Aberdeenshire IJB has had to respond to the global coronavirus pandemic. This largely impacted on the final month of the financial year and will continue to have a significant impact into 2020/21 and beyond. This has had important implications, not only for the services it delivers, but the cost of health and social care provision.

3. Our planned audit work has had to adapt to emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit. In common with health and social care staff, the audit team transitioned to remote working using technology to undertake the necessary audit work and conduct online meetings with staff.

4. The main elements of our audit work in 2019/20 have been:

- a review of key financial systems relevant to the IJB
- the audit of the IJB's annual accounts including the issue of an independent auditor's report
- consideration of the four audit dimensions.

Adding value through the audit

5. We add value to Aberdeenshire IJB through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of financial management, financial sustainability, governance and transparency, and value for money
- reporting our findings and conclusions in public
- sharing intelligence and good practice through our national reports and good practice guides.

6. In so doing, we aim to help Aberdeenshire IJB promote improved standards of governance, better management and decision-making and more effective use of resources.

Responsibilities and reporting

7. The IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with the proper accounting practices.

8. The IJB is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity that enable it to successfully deliver its objectives.

9. 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. Local government bodies also have a responsibility to have arrangements in place to demonstrate Best Value in how they conduct their activities.

10. As public sector auditors we give independent opinions on the annual accounts, the Management Commentary, Annual Governance Statement and the Remuneration Report. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

11. This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

12. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes any outstanding actions from last year and progress against these.

Auditor independence

13. Auditors appointed by the Accounts Commission must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements, auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

14. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £26,560 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

15. 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 in due course. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

Part 1

Audit of 2019/20 annual accounts



Main judgements

The financial statements of Aberdeenshire IJB give a true and fair view and were properly prepared in accordance with the financial reporting framework.

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.

The IJB's annual accounts preparation was not delayed by the impact of Covid-19 but the audit timetable was delayed by one month.

The annual accounts are the principal means of reporting financial performance and demonstrating stewardship of resources.

Our audit opinions on the annual accounts are unmodified

16. The IJB's annual accounts for the year ended 31 March 2020 were approved by the Audit Committee on 30 September 2020. 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
- audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

17. We have nothing to report in respect of misstatements in information other than the financial statements, the adequacy of accounting records, or the information and explanations we received.

Submission of the annual accounts for audit

18. In response to the Covid-19 pandemic, the Scottish Government extended the deadline for certification of audited accounts from 30 September to 30 November 2020. Staff were however able to deliver the unaudited annual accounts by the usual deadline of 30 June. Due to rescheduled audit work and some loss of audit staff productivity due to remote working in this period, the audit was completed a month later than the original timetable set out in our 2019/20 Annual Audit Plan.

19. The working papers provided with the unaudited accounts were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the audit of the annual accounts process ran smoothly.

Conclusions on audit work to address risks of material misstatement

20. [Appendix 2](#) provides a description of those assessed risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

21. We have no issues to report from our work on the risks of material misstatement highlighted in our 2019/20 Annual Audit Plan.

Materiality was amended to reflect increased risk

22. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement. With regard to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively. On receipt of the unaudited accounts, we reviewed materiality taking into consideration any changes in circumstances. In light of Covid-19, we reduced our performance materiality, as set out in [Exhibit 2](#), to reflect the additional audit risk due to changes in internal controls towards the end of the financial year.

Exhibit 2 Materiality values

Materiality level	Amount
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1.5% of gross expenditure for the year ended 31 March 2019 based on the latest audited accounts.	£5.0m
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 65% of planning materiality (this was previously 75% and amounted to £3.8m).	£3.4m
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements above the 'reporting threshold' amount. This has been calculated at 5% of planning materiality.	£250,000

Source: Audit Scotland, Annual Audit Plan 2019/20

We have no significant findings to report on the accounts

23. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures. We have no significant findings to report from the audit of the 2019/20 annual accounts.

24. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance taking into account advice from senior officers and materiality. There were no misstatements above our reporting threshold identified from our audit.

Management commentary, annual governance statement and remuneration report

25. The Code of Practice on Local Authority Accounting in the United Kingdom requires local government bodies to prepare and publish, along with their financial statements, an annual governance statement, management commentary (or equivalent) and remuneration report that are consistent with the disclosures made in the financial statements. The management commentary should be fair, balanced and understandable and clearly address the longer-term financial sustainability of the body.

26. The IJB quickly made the transition to virtual meetings in response to Covid-19 and the lockdown. There was widespread use of virtual working and the IJB approved delegated powers for the Interim Chief Officer to support the response to the pandemic. These are important changes which impacted on governance arrangements in March 2020 and during the post balance sheet period and have now been reflected in the audited governance statement.

27. Based on our knowledge and work performed, we concluded that the content of the management commentary, annual governance statement and remuneration report are consistent with the financial statements.

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. Work will be undertaken jointly with NHS Grampian and other local IJBs to improve monitoring arrangements for family health service contractors.



The IJB incurred a deficit of £5.6m and in accordance with its integration scheme, additional funding contributions were made by partners. This, along with the use of reserves, enabled the IJB to report a balanced financial position in the annual accounts.

The Medium Term Financial Strategy is being refreshed and should be supported by scenario planning to consider options in managing demand led budgets.

The IJB's costs form part of NHS Grampian's Covid-19 remobilisation plans as submitted to the Scottish Government. These plans reflect the combined health and social care funding requirement for the NHS board area to respond to the pandemic through to 31 March 2021.

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

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 the IJB
- IJB members provide a good level of challenge on the financial position and significant variances.

29. Overall the IJB has effective financial management including regular and appropriate monitoring reporting to the board.

Satisfactory systems of internal control were in operation

30. Aberdeenshire IJB relies on information generated by its partner bodies (Aberdeenshire Council and NHS Grampian) for key financial systems such as the general ledger and payroll. The details of the IJB's financial transactions are processed through the partners' systems and those partners are responsible for appropriate systems of internal control. The IJB's transactions are recorded separately from those of the partner bodies in their respective ledgers.

31. As part of our planned audit approach, in accordance with ISA 402, we sought assurances from the external auditor of the partner bodies on the operation of the respective systems of internal control. In respect of the 2019/20 audit, the following matters are drawn to the attention of the board:

- **Aberdeenshire Council Care First system:** In the previous year, we raised concerns about the administration of the CareFirst social care case management system. Cancelled cases were not routinely removed from the system which meant that system generated figures for care packages received, but not invoiced at the year end, needed manual intervention before inclusion in the annual accounts.
- While the council received invoices from care providers in a timely manner, payments were delayed if differences arose between invoice charges and care agreements recorded on the system. While it is appropriate that such differences are investigated and resolved, we were concerned that the length of delays might be adversely impacting on the cash flows of the businesses concerned.
- In both cases, steps have been taken to address the matters raised and the position at 31 March 2020 has improved.
- **NHS Grampian:** NHS National Services Scotland (NSS) provides services to all NHS boards, including NHS Grampian, in support of the administration, processing and verification of payments to independent primary care contractors and the national IT contract. Through the appointment of a service auditor, NHS NSS provides annual assurance on the support services it provides. The auditor reports in the context of ISAE 3402 which focuses on the design or operating effectiveness of controls in order to meet stated control objectives.
- In respect of 2019/20, the service auditor issued qualified audit opinions across the four primary care payment streams due to an absence of evidence to confirm the operation of a range of expected controls. Similar qualifications were provided in respect of the national IT contract.
- Additional audit procedures were undertaken locally by NHS Grampian's external auditor to support the findings of the service auditor. Consequently, additional disclosures were made in NHS Grampian's Governance Statement covering local scrutiny and verification of payments to primary care contractors. In addition, a recommendation for improvement was agreed for NHS Grampian finance staff and local IJB chief finance officers to jointly review arrangements and consider improvements for monitoring the financial performance of family health services contractors.
- Aberdeenshire's primary care costs including prescribing costs amounted to £86m in 2019/20. As these are significant costs for the IJB, it is appropriate that the above matter has also been reflected in the IJB's Annual Governance Statement.

32. Otherwise, we were satisfied there were no significant weaknesses in the systems of internal control for either partner which would have a material impact on the IJB.



Recommendation 1

An improvement plan to enhance existing performance monitoring arrangements should be developed by the Chief Finance Officers within each of the Health and Social Care Partnerships.

Financial performance in 2019/20

33. 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 IJB funding and expenditure is received and 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 income and expenditure and report financial information to the IJB.

34. Regular reporting by the Chief Finance Officer provided the IJB with clear information on actual and forecast positions. In addition, the IJB Finance Group continued to meet regularly to consider the board's financial challenges in more detail. Group membership includes the IJB Chair and Vice Chair supported by the Interim Chief Officer and Chief Finance Officer.

35. Financial performance in 2019/20 was largely in line with in-year projections. In summer 2019, financial monitoring reports anticipated an overspend of £2.3m which increased over the year to return an overall deficit of £5.6m for the financial year. This was subsequently met by additional contributions from partners. [Exhibit 3](#) sets out a comparison of financial performance against budget.

Exhibit 3

Performance against budget

IJB budget objective summary	Budget £000	Forecast £000	Variance £000
Budget set in March 2019	316,659		
Position at 30 June 2019	324,690	327,029	2,339
Position at 31 August 2019	326,691	329,573	2,882
Position at 31 October 2019	329,180	334,075	4,895
Position at 31 December 2019	331,191	336,625	5,434
Position at 31 March 2020	333,254	338,875	5,621

Source: IJB Budget monitoring reports

36. The agreed budget for 2019/20 was set at a breakeven position on the assumption that budget savings of £2.2m would be achieved from a number of budget areas including home care for older people and community hospitals. In total, £1.3m was achieved.

37. The IJB's main areas of overspend were in relation to community care and care management packages, and community hospitals. Although an increase in community hospital expenditure was experienced due to the continued use of agency staff, there has been an overall downward trend in spend over recent years. Due to rising demand, care package expenditure continued to be an area of budget pressure.

Covid-19 will have a significant impact on medium term financial plans

38. In March 2020, NHS Grampian was required to provide the Scottish Government with best estimates of the additional costs caused by the pandemic through to March 2021. An initial mobilisation plan was submitted in March 2020 with regular updates thereafter. For NHS Grampian, the additional cost is estimated at £62.7m split between services directly managed by the NHS board (£29.1m) and services delegated to the three IJBs which includes costs for social care services (£33.6m).

39. The additional costs include increased use of personal protection equipment and agency workers, increased capacity through a reduction in the number of delayed discharges and, as a result of the pandemic, a significant proportion of planned savings are unlikely to be met.



Recommendation 2

The Medium Term Financial Strategy should be refreshed to ensure it is based on accurate data and up-to-date assumptions. In addition, scenario planning should be used to develop options and alternatives for managing demand led pressures.

Part 3

Governance and transparency



Main judgements

The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board and its committees.



In response to Covid-19, the board quickly made the transition to virtual meetings but opted to delay the submission of its statutory Annual Performance Report until October 2020, as permitted by revised Scottish Government guidance.

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.

Covid-19 did not have a significant impact on governance arrangements and business has continued to operate

40. Operations were not significantly affected during 2019/20, with the impact of Covid-19 crystallising in 2020/21. The IJB and committees are all continuing their scrutiny and governance roles with virtual meetings taking place. The board has led each meeting with an update on Covid-19 developments.

Governance arrangements are appropriate

41. In line with our Code of Audit Practice, we routinely consider the following governance and transparency arrangements in place:

- board and committee structure and conduct
- overall arrangements and standards of conduct including those for the prevention and detection of fraud, error, bribery and corruption
- openness of board and committees
- reporting of performance and whether this is fair, balanced and understandable.

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

43. 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. The board is also supported in its work by the Chief Officer and Chief Finance Officer. During the year an Interim Chief Officer was appointed while the Chief Officer is on a period of secondment with NHS Grampian.

44. The board met on seven occasions during 2019/20. We reviewed board minutes and agenda papers to assess effectiveness and we occasionally observed 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 with good relationships at senior level between the three organisations involved. 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 is regular system wide senior officer collaboration 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 continued to work well during the year.

46. Revised terms of reference were approved for the audit committee in December 2018. Business has been extended to include risk management, strategic planning arrangements, information security and performance. The committee has introduced a standard agenda and a formal process for reporting back to the board. Now that the arrangements have been operating for a year, the committee should review its achievements against the terms of reference and consider whether the remit remains appropriate.

Internal audit

47. The IJB's appointed internal auditor is Aberdeenshire Council's Chief Internal Auditor. We have taken assurance from the external auditor of Aberdeenshire Council that internal audit operated in accordance with Public Sector Internal Audit Standards (PSIAS) during the year and has sound documentation, standards and reporting procedures in place.

48. In respect of 2019/20, the chief internal auditor reported that reasonable assurance could be taken from the controls the IJB had in place. Due to the links between the IJB and its partners, there are arrangements in place between the respective audit committees to oversee the arrangements for reporting to respective audit committees and ensuring each committee receives the assurances it requires. Partners have agreed to undertake a review of the joint arrangements to ensure they are working effectively.

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

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

Part 4

Value for Money



Main judgements

Robust arrangements were put in place for the production of the board's Strategic Plan 2020-25 including community engagement processes and consultation with stakeholders. Measurable outcomes and targets are being developed and will form part of the work arising from the Strategic Delivery Plan.

Effective best value arrangements are in place including medium term financial planning, workforce planning and a performance management framework. These are currently subject to review to ensure there is proper alignment with the new strategic plan.

Grampian system wide work is being undertaken to manage delegated budgets for hospital services and the 'set-aside' budget. Initial progress in this area has been demonstrated through the minor injuries review.

Arrangements will be further enhanced through the implementation of the Community Based Health and Social Care Framework. As an early adopter of the framework, Aberdeenshire IJB will be leading the way on identifying and promoting good practice.

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

Effective arrangements are in place to secure Best Value

50. Best Value duties apply to accountable officers across the public sector. To achieve this, the IJB should have effective arrangements for scrutinising performance, monitoring progress towards its strategic objectives and holding partners to account. In line with our Code of Audit Practice, our wider scope audit covers the four audit dimensions, as set out in [Exhibit 1](#), which represent the key components of achieving best value.

51. Performance reports were reviewed by the board on a quarterly basis throughout the year and took the form of a dashboard which were also made available on the council's website. These arrangements are currently being reviewed as part of the development of the Strategic Delivery Plan.

52. For 2019/20, the IJB took advantage of the flexibility offered by the Coronavirus (Scotland) Act 2020 with regard to the publication of reports and other documents and opted to delay the publication of its statutory Annual Performance Report until October 2020.

Strategic planning

53. Significant work was carried out between 2017 and 2019 to produce the board's Strategic Plan 2020-2025. Originally planned for publication in spring 2018, the timetable was extended to enable a wide engagement programme to be undertaken. Following consultation with stakeholders, the IJB approved the plan in December 2019.

54. The board has a clear vision that is shared by partners and reflects the views of local people who engaged with the plan's development. The plan is structured around the five priorities of prevention and early intervention, reshaping care, engagement, effective use of resources, and tackling inequalities and public protection and there are four programme boards leading on the work to deliver the agreed priorities.

55. The board engaged with communities on the five priorities through surveys and face to face events and consulted on the draft strategic plan in its entirety using similar mechanisms.

56. The plan which is supported online by a video summary provides a clear narrative on the need for change due to the increasing ageing population in the north east and because of the rural nature of the area. One of the key challenges highlighted is ensuring there are sufficient staff in the right areas of Aberdeenshire to provide the services communities need. Although the partnership has had a short term workforce plan for some time, this needs to be developed to cover the period of the strategic plan and beyond.

57. Connections have been made between the strategic plan and other IJB plans and policies but more work is required to demonstrate their alignment. In addition, an effective performance reporting framework is required in order that the achievement of improving outcomes can be demonstrated. The implementation of the board's Strategic Plan 2020-2025 and the more detailed Strategic Delivery Plan provides the opportunity for the IJB to demonstrate links between finances, workforce, priorities and outcomes. In line with Audit Scotland recommendations, plans should explain:

- *[how and when priorities and outcomes will be achieved](#)*
- *[whether sufficient resources are in place to sustain new ways of working](#)*
- *[exit strategies for services where decommissioning is being considered.](#)*



Recommendation 3

The Strategic Delivery Plan needs to be clear in terms of the achievement of priorities and outcomes and provide an effective performance management framework so that progress against milestones can be regularly reported and monitored.

Longer term, the links between financial and workforce plans and strategic priorities should be strengthened.

58. 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 assessed. This will assist the board in embedding integration and planning for change as part of its strategic planning process.

Delegated hospital budgets and 'set-aside' arrangements

59. The aim of the 'set-aside' budgets is to move resources out of acute hospitals into the community. Due to increasing demands across health and social care, NHS Grampian has found it difficult to release resources. The establishment of a system wide Grampian leadership group does however demonstrate a commitment to work collaboratively to identify and agree changes to services.

60. An initial step in Aberdeenshire has been the minor injuries review. There are nine minor injuries units which provided services 24 hours a day, 7 days a week. Early in the review, action was taken to address potential risks in the out of hours service in Insh and Inverurie. A different approach was taken in Peterhead and Fraserburgh as these areas generally experience greater demand for services especially urgent care and out of hours services. Otherwise, the review identified that demand peaked in daytime hours with a reduction in activity out of hours. After further consultation and consideration of data, new operating hours were implemented depending on local need. In four out of five cases, this meant a reduction in hours and more efficient use of staff resources.

Exhibit 4 Ministerial Strategic Group – progress with integration

Features	Comments	RAG assessment
Collaborative Leadership and building relationships	Relationships between IJBs and partners, and with the Third Sector are improving.	
Integrated finances and financial planning	The key areas yet to be addressed by IJBs are full implementation of delegated hospital budgets and 'set-aside' requirements and the need to be empowered to use the totality of resources at their disposal to better meet local need.	MIXED
Effective strategic planning for improvement	Improved strategic planning was noted. Regular meetings between Scottish Government, COSLA and improvement bodies are now in place to provide collaborative leadership. National network of Chief Officers provides peer support.	
Agreed governance and accountability arrangements	A need for better support for IJB chairs has been acknowledged through the 'Blueprint for Good Governance' self-assessment undertaken in NHS boards. Additional support is being provided for board members who are also IJB board members. New Standards Commission guidance provided for members of IJBs. Professional leads have been identified at a national level for social work, nursing and medical expertise to support work being undertaken to put more effective clinical and care governance arrangements in place.	
Ability and willingness to share information	Chief Officers will be benchmarking annual performance reports. A framework for community based health and social care integrated services (ie a framework for identifying and promoting good practice) was agreed by the Ministerial Strategic Group in November 2019 and work has begun by the six early IJB adopters.	
Meaningful and sustained engagement	Consultation has been undertaken on national guidance for community engagement. More focus is being given to the needs of carers including improving support arrangements.	

Progress with integration

61. During 2019/20, the Ministerial Strategic Group for Health and Community Care continued to monitor progress with integration across Scotland, following recommendations in Audit Scotland's performance audit report published in November 2018. This report had set out key features which needed to be present to support effective integration.

62. In January 2020, the Ministerial Strategic Group considered a progress report summarising the combined results of self-assessments against the key features which had been undertaken by IJBs earlier in the year. The progress report contained a traffic light Red-Amber-Green (RAG) assessment which is included as [Exhibit 4](#).

63. Having considered the key features of integration recommended by Audit Scotland in November 2018, [Exhibit 5](#) sets out our observations on the good progress made by Aberdeenshire IJB, again using a colour coded assessment.

Exhibit 5 Features of integration demonstrated by Aberdeenshire IJB

Features	Comments	Assessment
Collaborative Leadership and building relationships	<p>Stable leadership across partners.</p> <p>Rotating chair/vice chair arrangements between partners.</p> <p>System wide forums in operation across the NHS Grampian area.</p> <p>Chief Officer is a member of the national Executive Group supporting Health and Social Care Scotland.</p>	
Integrated finances and financial planning	<p>Budget agreed in March in advance of the commencement of the financial year.</p> <p>Medium Term Financial Strategy is being refreshed.</p> <p>Financial information needs to be better linked with the strategic plan to demonstrate how priorities will be funded and sustainable.</p> <p>There is evidence of moving away from the idea of NHS and council budgets with the development of the 'IJB pound'.</p>	
Effective strategic planning for improvement	<p>Strategic Plan 2020-25 approved in December 2019. Delivery Plan being developed.</p> <p>New plans need to better link workforce and financial plans to demonstrate sustainability over time.</p> <p>Work is being taken forward to implement delegated hospital budgets and 'set-aside' arrangements.</p>	
Agreed governance and accountability arrangements	<p>Effective working relationships in place with partner bodies since the IJB was formed.</p> <p>Locality plans introduced in June 2018, unclear if this has led to local decision making.</p> <p>Best value processes in place with evidence of service review e.g. minor injuries review. More focus needed on assessing the impact of service redesign and implementing mechanisms for ongoing continuous improvement activity.</p>	

Features	Comments	Assessment
Ability and willingness to share information	<p>Arrangements for benchmarking and sharing best practice are to be led by Chief Officers. Aspects of this feature are being taken forward by Health and Social Care Scotland.</p> <p>Aberdeenshire is one of the early adopters of the national framework for community based health and social care integrated services.</p>	
Meaningful and sustained engagement	<p>Wide public engagement and consultation undertaken in relation to strategic and locality planning and a review of minor injuries. With regard to the latter, this led to changes in staffing and operating hours at the units.</p> <p>There has been robust engagement and consultation on a range of strategies e.g. mental health, carers etc.</p>	
	New arrangements under development, too early to comment	
	Good processes in place, more work required	
	Robust processes in place	

Source: Audit Scotland

Best value audit

64. A new approach to the audit of best value in IJBs is at an early stage with steps likely to be taken to implement new arrangements alongside Audit Scotland's new Code of Audit Practice. The new Code will apply to the next audit appointment round which is now due to commence from financial year 2022/23.

65. In response to the Scottish Government's request in 2008 to take on a gate keeping role in respect of the scrutiny of local government, the Accounts Commission has worked with other scrutiny and inspection bodies for many years. The new best value audit approach for IJBs is therefore intended to complement the programme of strategic inspections by the Care Inspectorate and Healthcare Improvement Scotland.

National performance audit reports

66. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2019/20, we published the following reports which are of direct interest to IJBs:

- [Local Government in Scotland: Challenges and Performance 2019](#) – March 2019
- [General Medical Services Contract in Scotland: A short guide](#) - May 2019
- [Principles for Community Empowerment](#) – July 2019
- [NHS Workforce Planning Part 2](#) – August 2019
- [NHS in Scotland 2019](#) – October 2019
- [Local Government in Scotland: Financial Overview 2018-19](#) – December 2019
- [Local Government in Scotland: Overview 2020](#) – June 2020

67. The IJB has arrangements in place for considering and reviewing national reports including any locally agreed actions

Appendix 1

Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Payments to independent family health service practitioners</p> <p>With annual payments to independent practitioners across Grampian totalling £250m each year (Aberdeenshire £86m), this is a complex area.</p> <p>There is scope to enhance local performance monitoring arrangements within and between NHS Grampian and the Integration Joint Boards and to introduce quarterly assurance reporting.</p> <p><i>Risk: There is insufficient assurance over the management and verification of payments to practitioners.</i></p>	<p>An improvement plan to enhance existing performance monitoring arrangements should be developed by the Chief Finance Officers within each of the Health and Social Care Partnerships.</p>	<p>The Chief Finance Officers for the Health and Social Care Partnerships and the Board's Deputy Director of Finance will jointly review arrangements for the monitoring of financial performance for Family Health Services Contractors and consider development of an improvement plan to enhance existing arrangements.</p> <p>Chief Finance Officers/Deputy Director of Finance</p> <p>March 2021</p>
2	<p>Medium term financial planning</p> <p>The Medium Term Financial Strategy needs to be refreshed.</p> <p><i>Risk: The board is unable to demonstrate how the delivery of outcomes will be resourced and sustainability of new ways of working.</i></p>	<p>The Medium Term Financial Strategy should be refreshed to ensure it is based on accurate data and up-to-date assumptions. In addition, scenario planning should be used to develop options and alternatives for managing demand led pressures.</p>	<p>The Medium Term Financial Strategy will be refreshed in light of financial changes resulting from the Covid pandemic. It will be presented to the IJB early in 2021.</p> <p>Chief Finance Officer</p> <p>February 2021</p>
3	<p>Strategic Delivery Plan</p> <p>It is difficult to measure progress against plans due to the absence of targets and milestones.</p> <p><i>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.</i></p>	<p>The Strategic Delivery Plan needs to be clear in terms of the achievement of priorities and outcomes and provide an effective performance management framework so that progress against milestones can be regularly reported and monitored.</p> <p>Longer term, the links between financial and workforce plans and strategic priorities should be strengthened.</p>	<p>The draft Strategic Delivery Plan is being discussed by the IJB in September 2020.</p> <p>Partnership Manager</p> <p>September 2020</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 report and 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 material misstatement caused by management override of controls</p> <p>Auditing Standards (IAS 240) require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit.</p> <p>This includes the risk of management override of controls that results in fraudulent financial statements or to change the position disclosed in the financial statements.</p>	<ul style="list-style-type: none"> Evaluate external auditor assurances from the auditors of partner bodies (Aberdeenshire Council and NHS Grampian). Assurances to include: <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 Journals, estimates and accruals/prepayments appropriately covered by audit testing. Overall, conclusions were satisfactory.
<p>2 Risk of incompleteness of expenditure and income</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 and income is miscoded and IJB accounts are under/over-stated.</p>	<ul style="list-style-type: none"> Assurances from partner bodies on the completeness and accuracy of data Chief Finance Officer is also a senior finance officer in a partner body Regular/robust budget monitoring. 	<ul style="list-style-type: none"> Satisfactory external auditor assurances obtained in respect of Aberdeenshire Council and NHS Grampian.
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>3 Financial capacity</p> <p>The council's Finance Business Partner for social care (senior accountant), who is the IJB's Chief Finance Officer's key point of contact for social care financial information, will leave the council on 30 June 2020.</p> <p>This is a significant loss of social care financial</p>	<ul style="list-style-type: none"> Discussions between council's Head of Finance and IJB Chief Finance Officer Review the robustness of arrangements put in place. 	<ul style="list-style-type: none"> Limited impact on 2019/20 annual accounts process. Appropriate finance arrangements put in place for 2020/21 which we will consider further as part of 2020/21 audit.

Audit risk	Assurance procedure	Results and conclusions
<p>management experience and with alternative arrangements yet to be agreed between the council and the IJB, there is a risk that the Chief Finance Officer has insufficient support going forward to deliver effective financial management.</p>		
<p>4 Financial management</p> <p>The IJB is working with partners to manage an estimated budget overspend of £5m. This is in line with the previous year and partners are already anticipating the need to make an additional contribution.</p> <p>Owing to the demand led nature of several budgets, there is a risk that the overspend could be higher so increasing the pressure on partners</p>	<ul style="list-style-type: none"> • Regular budget monitoring. Finance reports are regularly provided to the board • Involvement of the Board and management in budget monitoring • Budget settlement and split regarding the overspend to be provided to the board 	<ul style="list-style-type: none"> • Commentary included in Annual Audit Report (paragraphs 35 to 37).

Aberdeenshire Integration Joint Board

2019/20 Annual Audit Report

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