

Aberdeenshire Integration Joint Board

2016/17 Annual Audit Report



 AUDIT SCOTLAND

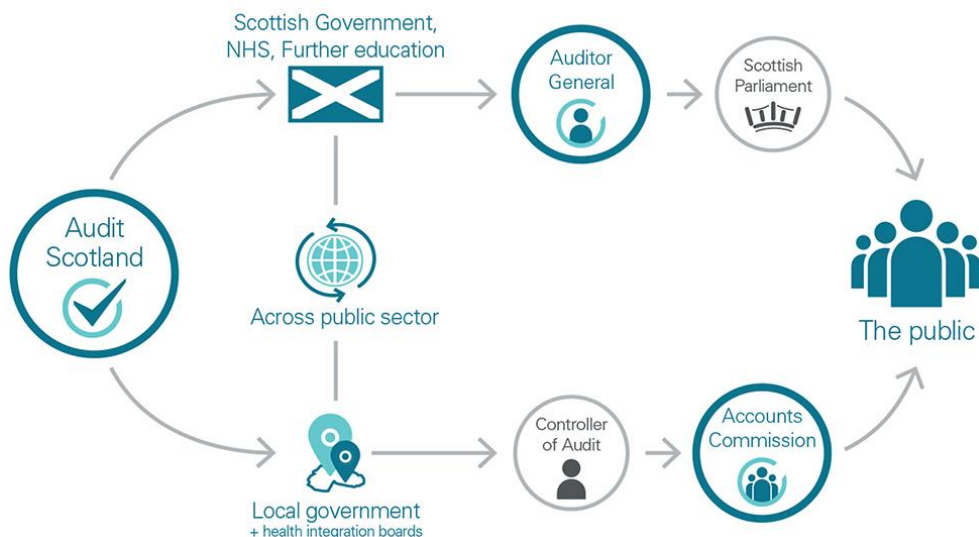
Prepared for Aberdeenshire Integration Joint Board and the Accounts Commission

30 August 2017

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

2016/17 annual accounts

- 1 Our audit opinions were all unqualified. These covered the financial statements, management commentary, remuneration report and the annual governance statement.

Financial management

- 2 Aberdeenshire Integration Joint Board has appropriate and effective budgetary processes in place which provide timely and reliable information for monitoring financial performance.
- 3 The Integration Joint Board achieved a marginal underspend of £9k. While this was in line with the budgeted position throughout the year, it was achieved after using brought forward funds to cover some overspends.

Financial sustainability

- 4 The 2017/18 break-even budget position was approved in March 2017 and requires delivery of identified budget savings of £3.5m.
- 5 The benefit of longer term financial planning has been recognised with an agreement to develop a 5 year financial strategy.
- 6 Strategic plans include budget figures for priority outcomes but actual figures have not been allocated to outcomes to demonstrate the cost of what has been achieved.

Governance and transparency

- 7 The Integration Joint Board has sound governance arrangements in place that continue to develop as the board becomes more established. Workforce and locality planning are at an early stage of development but should demonstrate plans for integrated working in due course
- 8 The board operates in an open and transparent manner, with all board meetings and supporting papers available to the public online.

Value for money

- 9 Performance dashboards are now scrutinised on a quarterly basis by the board. The quality of the content improved over the course of 2016/17 as the format of the report continued to evolve. At this stage however performance monitoring reports do not include financial performance.
- 10 The board's first annual performance report was published in accordance with Scottish Government requirements. Reflecting that the Integration Joint Board is still at a fairly early stage of development, the report does not yet contain everything expected by the guidance.

- 11** A good practice example highlighted in the report is the implementation of a community led initiative known as Virtual Care Wards. This has demonstrated early success in reducing the number of patients who would otherwise have required a hospital admission.

Introduction

1. This report is a summary of our findings arising from the 2016/17 audit of Aberdeenshire Integration Joint Board (IJB). The report is divided into sections which reflect our public sector audit model.

2. The scope of our audit was set out in our Annual Audit Plan presented to the April 2017 meeting of the Audit Committee. It comprises an audit of the annual accounts and consideration of the four audit dimensions that frame the wider scope of public sector audit requirements as illustrated in [Exhibit 1](#).

Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2016/17 have been the IJB's:

- main financial systems and governance arrangements, and
- 2016/17 annual accounts

4. The IJB is responsible for preparing the annual accounts that show a true and fair view and for establishing effective arrangements for governance to enable successful delivery of objectives.

5. Our responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice \(2016\)](#), and supplementary guidance, and are guided by the auditing profession's ethical guidance.

- 6.** These responsibilities include giving independent opinions on the financial statements, the remuneration report, the management commentary and the annual governance statement. We also review and report on the arrangements within the IJB to manage its performance, and use of resources. In doing this, we aim to support improvement and accountability.
- 7.** Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice \(2016\)](#) and supplementary guidance.
- 8.** 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. Also, our annual audit report contains an action plan at [Appendix 1 \(page 24\)](#). It sets out specific recommendations, responsible officers and dates for implementation.
- 9.** Communication in this report of matters arising from the audit of the annual accounts or of risks or of weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
- 10.** As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
- 11.** This report is addressed to both Aberdeenshire IJB and the Accounts Commission and will be published on Audit Scotland's website www.audit-scotland.gov.uk.
- 12.** 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 2016/17 annual accounts



Main judgements

We provided unqualified audit opinions on the accounts.

Good quality accounts were submitted for audit, supported by satisfactory working papers.

Unqualified audit opinions

13. The annual accounts for the year ended 31 March 2017 were approved by the IJB on 30 August 2017. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements
- unqualified opinions on the remuneration report, management commentary and the annual governance statement.

14. Additionally, we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

Submission of annual accounts for audit

15. We received the unaudited financial statements on 28 June 2017, 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 scope to reflect on the 2016/17 closedown of the accounts and agreement of balances, and consider lessons learnt in advance of agreeing the timetable for the 2017/18 annual accounts.

16. 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.

17. 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.

18. 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.

The annual accounts are the principal means of accounting for the stewardship of resources and reporting on performance in the use of those resources.

Risks of material misstatement

19. [Appendix 2](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team. Also, included within the appendix are wider dimension risks, how we addressed these and conclusions.

Materiality

20. Materiality defines the maximum error that we are prepared to accept and still conclude that our audit objective has been achieved. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

21. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and was revised on receipt of the unaudited accounts. Our materiality values are summarised in [Exhibit 2](#). Specifically with regard to the annual accounts, we assess the materiality of uncorrected misstatements, both individually and collectively.

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality - This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017.	£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 overall materiality.	£2.2m
Reporting threshold - 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 1% of overall materiality.	£32k

Evaluation of misstatements

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

Significant findings

23. International Standard on Auditing (UK and Ireland) 260 requires us to communicate to you significant findings from the audit. 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 \(page 24\)](#) has been included.

Exhibit 3

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Remuneration report – chief finance officer’s costs</p> <p>LASAAC issued additional guidance on accounting for integration in March 2017. With regard to the remuneration report, the guidance indicates that Section 95 officers are likely to meet the criteria of a ‘relevant person’ either as a direct employee or where they hold office. In such cases, the Section 95 officer should be included in the remuneration report. With regard to Aberdeenshire IJB, only the Chief Officer’s remuneration has been included in the remuneration report. In order to reflect the true management cost of the IJB, a proportion of the Section 95 officer’s remuneration, reflecting time devoted to IJB responsibilities, should also be included.</p>	<p>A note has been added to the remuneration report stating that the Chief Finance Officer is the Head of Finance of Aberdeenshire Council and confirming that the council meets his remuneration costs.</p> <p>On the basis that IJB management costs currently absorbed by partner bodies are unlikely to be material, the revised disclosure was accepted.</p> <p>As part of the 2017/18 annual accounts process, consideration will be given to the identification and allocation of further management costs attributable to the IJB.</p>

Other findings

24. Our audit identified areas to be strengthened within the management commentary and the annual governance statement. These were discussed with management and amendments have been reflected in the audited financial statements.

Part 2

Financial management



Main judgements

Sound financial management arrangements are in place.

The IJB concluded 2016/17 with a small operating surplus which is held in reserves.

Financial management

25. Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. It is the IJB's responsibility to ensure that its financial affairs are conducted in a proper manner.

26. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering a number of 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.

27. 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 performance in 2016/17

28. 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.

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

29. The partner bodies have satisfactory arrangements in place to identify transactions relating to the IJB. This is achieved through the use of dedicated finance staff, and specific IJB ledger codes. In response to a recommendation by the outgoing auditor, Deloitte, in their 2015/16 Annual Audit Report, progress has been made in adding a separate coding structure to the council's ledger to ensure that the IJB's transactions are easily distinguishable and that there is a clear audit trail.

30. The board's financial performance in 2016/17 was satisfactory and in line with in-year projections to break-even. Exhibit 4 shows that while there was a marginal underspend of £9k, some budgets experienced overspends. These included community hospitals, prescribing, adult services and older people services.

Exhibit 4

2016/17 Budget Outturn Summary

IJB budget objective summary	Actual £m	Budget £m	Variance £m
NHSG Core Services	43.752	41.673	2.079
Primary Care	36.693	36.882	(0.189)
Primary Care Prescribing	43.765	42.649	1.116
Community Mental Health	7.429	7.021	0.408
Hosted Services and Out of Area Treatments	14.166	13.967	0.199
Set Aside Services	26.665	26.665	0
IJB Operating Costs and Management & Business Services	5.235	5.022	0.213
Adult Services	48.493	47.045	1.448
Older People, Physical and Sensory Disabilities	71.569	69.954	1.615
Scottish Government Resources	0	2.703	(2.703)
Funds	4.170	6.009	(1.839)
Brought Forward from 2015/16	0	2.356	(2.356)
2016/17 Outturn Position	301.937	301.946	(0.009)

Source: Finance Monitoring Report

Internal controls

31. 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 drew assurances from both the external audit and internal audit work undertaken on NHS Grampian and Aberdeenshire Council as part of our planned audit approach and confirmed that there were no significant weaknesses in the systems of internal control in either body that were relevant to the IJB.

Prevention and detection of fraud and irregularity

32. 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. The financial regulations however, make no reference to a whistleblowing policy. We would normally expect such a policy to form part of a body's suite of anti-fraud policies and recommend that the IJB also adopts its partners' whistleblowing policies. Otherwise, the IJB's anti-fraud arrangements were considered to be satisfactory.

Recommendation 1

Part 3

Financial sustainability



Main judgements

A breakeven position has been projected for 2017/18 but assumes efficiency savings of £3.5m will be delivered.

The benefit of longer term financial planning has been recognised with an agreement to develop a 5 year financial strategy.

Budgets have been allocated to strategic priorities but the actual costs incurred in delivering outcomes is not yet reported.

Financial planning

33. The IJB allocates the resources it receives from the health board and the council in line with its Strategic Plan. Due diligence was undertaken by internal audit to consider the sufficiency of the 2016/17 budget provided for the IJB.

34. As shown in Exhibit 4, the IJB achieved a minor underspend in 2016/17. This was broadly consistent with the original budget approved in March 2016 which projected a break-even position at 31 March 2017.

35. Similar to 2016/17, the agreed budget for 2017/18 has been set at a breakeven position although the budget setting process recognised challenges ahead, specifically regarding caring for an ageing population, tackling recruitment issues, and the board's ability to achieve sustainable efficiencies going forward.

36. In line with good practice, the IJB approved its 2017/18 budget in March 2017 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 £3.5m. It remained unclear at that stage whether and to what extent additional funding would be allocated to IJBs following the Scottish Government's funding announcement.

37. In March 2017, the board acknowledged the need to look beyond the current year when creating their financial plans by agreeing the development of a 5 year strategy.

38. IJBs are required to have a 3-year strategic plan which includes information on the financial resources that are available and how they will be used. The section of the plan covering 2016/17 included a budget allocation and forecast outturn for the year against each of the actions listed under the strategic priorities. While the board's progress report for the year provided a detailed narrative on each of the actions, it did not report actual amounts incurred. It is important that actual

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.

expenditure is reported so that all resources (financial and otherwise) used in delivering an outcome are measured and used to inform best value judgements.

Reserves strategy

39. Due to the unique arrangements for IJBs, Aberdeenshire only has nominal reserves, which are attributable to the underspend in year. In accordance with its reserve policy, the balance is not earmarked and is set aside with the aim of building up a prudent reserve level over the medium term, for use when required.

40. The board's reserves policy is appropriate given the current financial climate and the anticipated budget pressures going forward. In the short term we would not expect the IJB to hold material reserves.

Efficiency savings

41. As part of its 2017/18 budget proposals, the IJB identified budget savings of £3.5m which were itemised across a number of strategic aims. Projects where potential savings were identified included the use of integrated teams for localities and the expanded use of the Virtual Community Wards initiative (refer paras 77 to 79), combined with increased income from care charges.

42. The 2016/17 outturn position was achieved through a combination of a brought forward sum of £2.4m and savings which are likely to be non-recurring. As such, it is important that the IJB looks to achieve efficiencies going forward to help ease the burden of budgetary pressures. Failure to do this may impact on their ability to provide the services required and/or attain local and national targets.

Part 4

Governance and transparency



Main judgements

Sound governance arrangements are in place which continue to develop as the IJB becomes more established. More evidence of integration should emerge with the development of locality and workforce planning.

The board is risk aware and maintains a strong focus on its risk register.

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

Governance arrangements

43. 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.

44. 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 Sub-committee and a Strategic Planning Group.

45. The board is also supported in its work by a 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.

46. The board met on nine occasions during 2016/17. We review minutes of board meetings to assess their effectiveness and periodically observe meetings for a greater insight into proceedings.

47. 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.

48. The decision to establish an audit committee originated from an earlier discussion of the former Transitional Leadership Group when principles were agreed that the board would be responsible for scrutiny and risk but that a separate audit committee should be set up to have appropriate focus on audit and assurance.

49. We have concluded that, overall, the board has appropriate governance arrangements in place which provide a framework for effective decision making.

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.

Partnership working

50. 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.

Localities

51. Each integration authority is required to establish at least two localities as a mechanism for local leadership of service planning which will feed upwards into the board's strategic plan. Aberdeenshire IJB agreed to align the locality areas with Aberdeenshire Council's six existing areas which also fits well with NHS Grampian's current planning arrangements. By January 2017, the operational structure for the localities including 12 locality managers was in place.

52. Localities will bring together local GPs, other health and care professionals, and a range of representatives including housing, the third sector, carers and patients. While there is evidence of workshops and consultation already taking place including participatory budgeting events, it is too early to comment on the operation of localities as the next significant stage is the preparation of locality plans for 2018/19.

53. A key factor in the success of integration is the contribution of GPs and other community workers, not only in planning for services but ensuring that they play their role in shifting patients towards community based services. The area covered by Aberdeenshire IJB has a number of key towns but is otherwise largely rural. NHS Grampian and Aberdeenshire Council already experience resource pressures across the area, for example, there is a shortage of GPs and care workers. This is a recognised risk for the IJB which it will continue to monitor.

Recommendation 2

Workforce planning

54. 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. This initial plan provides a good position statement on existing staff in terms of number, age and spread of positions. The plan also sets out the risks around workforce matters and the likely challenges ahead. It is intended to update the plan in line with the development of locality planning.

Recommendation 3

Internal audit

55. 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.

56. The board's appointed internal auditor is Aberdeenshire Council's Chief Internal Auditor. In respect of 2016/17, he concluded that reasonable assurance could be taken from the controls the board had in place.

57. As part of the assurances we have taken from the external audit 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.

Risk management

58. We reviewed Aberdeenshire IJB's risk management arrangements during our audit, and considered the risk register and the reporting arrangements in place. The board has a comprehensive risk register which is regularly reviewed. The register was developed following a board workshop and all board agenda items are usefully linked back to specific risks on the risk register.

59. We have concluded that the arrangements in place were satisfactory, and the appropriate action is being taken by the board to mitigate the risks identified in its risk register.

Transparency

60. Transparency means that the public, in particular local residents have access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using resources.

61. 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.

62. 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.

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

Part 5

Value for money



Main judgements

The IJB's performance management framework evolved during the year with detailed dashboards now in place. The board's first annual performance report was published by the required deadline.

The IJB has performed well against the national suite of core indicators.

The implementation of Virtual Care Wards has been successful in reducing the number of unplanned hospital admissions.

Performance management

64. The Public Bodies (Joint Working) (Scotland) Act 2014 (the Act) and the board's Integration Scheme set out the changes required to implement adult health and social care both operationally and financially. One of the requirements was the need to implement a performance management framework enabling the IJB to scrutinise performance, monitor progress towards its strategic objectives and hold partners to account.

65. The board receives performance reports on a quarterly basis, which are also available on the IJB'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 performance reports continued to evolve during the year with the quality of the content of the quarter four dashboard being significantly improved in comparison with earlier reports.

Progress against Strategic Plan

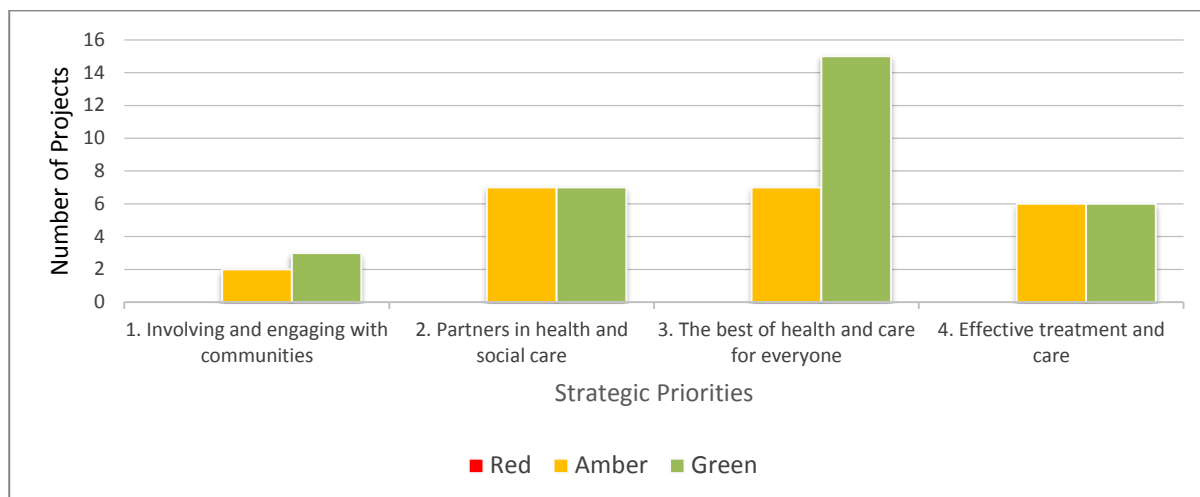
66. The IJB agreed a three year Strategic Plan in March 2016 which identified 15 Strategic Priorities linked to the Scottish Government's nine health and wellbeing outcomes, together with the six additional outcomes for children and community justice.

67. In November 2016, the IJB produced a Commissioning Plan which provided a direct link between the Strategic Plan and the resources of the IJB, and outlined 53 projects under four themes which were to be undertaken during the year to aid the achievement of their Strategic Priorities.

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

68. A review of progress against the Commissioning Plan was reported to the IJB in March 2017 and a summary is provided in [Exhibit 5](#). This shows the status of projects within each of the four themes using standard traffic light (Red/Amber/Green) reporting. Overall, there was good progress with 31 (green) projects and some progress against the other 22 (amber) projects. As progress has been reported against all projects, there are no Red status projects in [Exhibit 5](#).

Exhibit 5 – Performance against the 2016/17 Commissioning Plan



Source: Strategic Priorities – Commissioning (Implementation & Change) Plan: Year end Review 2016-17

Annual Report

69. The Public Bodies (Joint Working) (Scotland) Act 2014 requires an annual performance report to be completed within four months of the year end. Scottish Government guidance highlights that the report should cover areas including assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, and inspection of services.

70. The annual report was approved by the IJB in July 2017. Broadly speaking, the annual report is consistent with the legislation but in view of the IJB still being at a fairly early stage of development, progress in some areas is not sufficiently advanced and therefore it is too early to include certain information in the annual report, for example the split of funding between localities and an assessment of best value in service delivery.

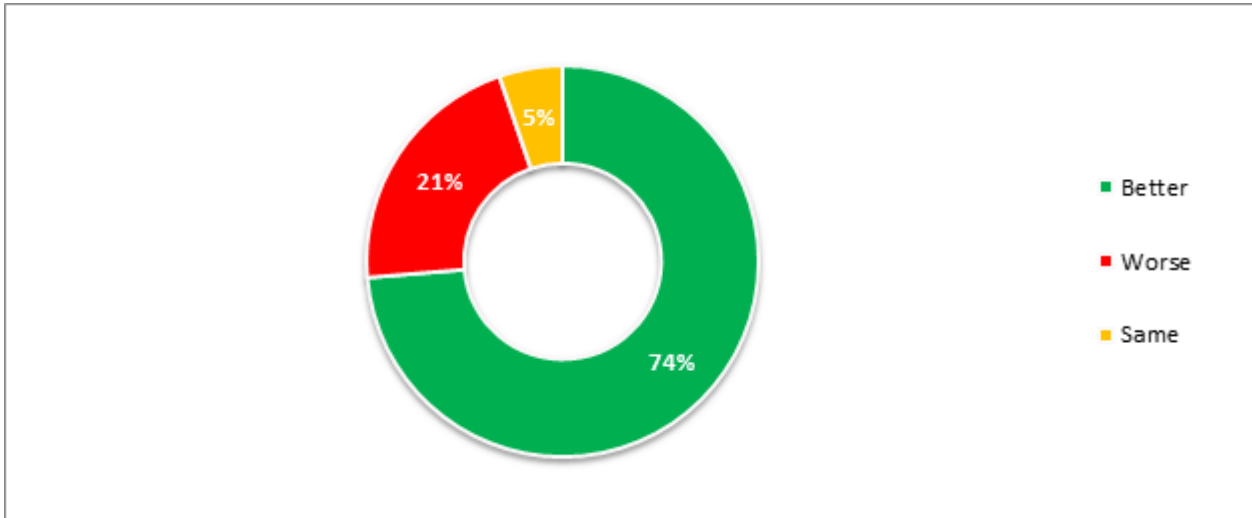
Recommendation 4

71. The IJB's performance against National Core Indicators is outlined in the annual report and summarised in [Exhibit 6](#).

72. In total there are 23 National Core Indicators, 10 of which are outcome indicators, and performance information is available for 9 of these, as shown in [Exhibit 7](#). The remaining 13 are data indicators which provide an indication of the IJB's performance against the Scottish average.

Exhibit 6

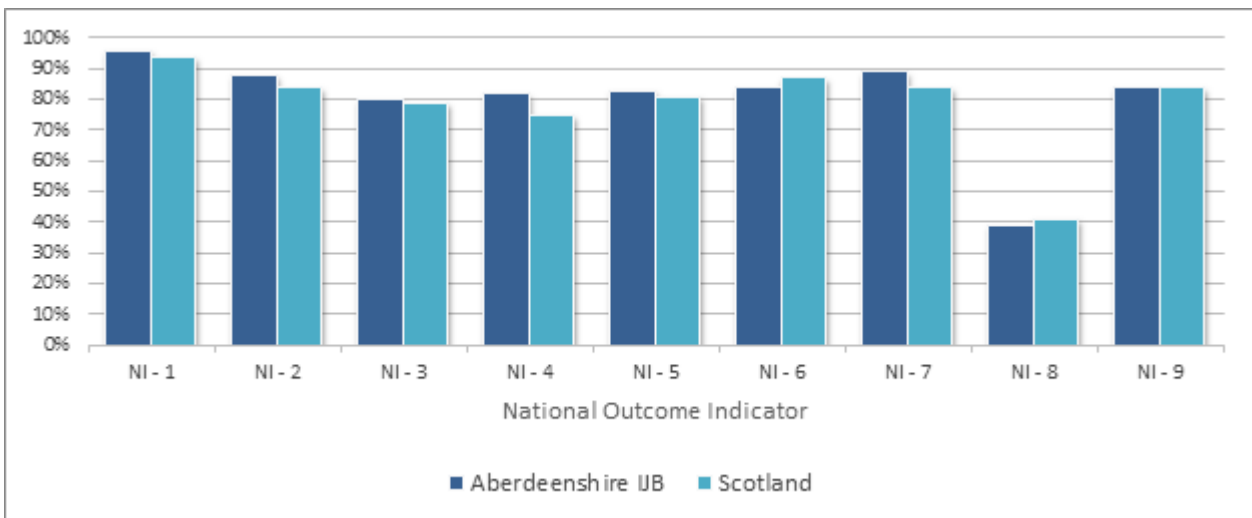
Overall performance – National Core Indicators



Source: Aberdeenshire IJB Annual Report 2016/17

Exhibit 7

Performance against National Outcome Indicators



NI - 1: percentage of adults able to look after their health very well or quite well

NI – 2: percentage of adults supported at home who agreed that they are supported to live as independently as possible

NI – 3: percentage of adults supported at home who agreed that they have a say in how their help, care, or support was provided

NI – 4: percentage of adults supported at home who agreed that their health and social care services seemed to be well co-ordinated

NI – 5: total % of adults receiving any care or support who rated it as excellent

NI – 6: percentage of people with positive experience of the care provided by their GP practice

NI - 7: percentage of adults supported at home who agree that their services and support had an impact on improving or maintaining their quality of life

NI – 8: total combined % carers who feel supported at home who agreed that they felt safe

NI – 9: percentage of adults supported at home who agreed they felt safe

Source: Aberdeenshire IJB Annual Report 2016/17

73. As shown in Exhibits 6 and 7, Aberdeenshire IJB has performed well overall across the suite of National Core Indicators. There are a few areas for potential improvement where the board currently falls below the Scottish average. For example:

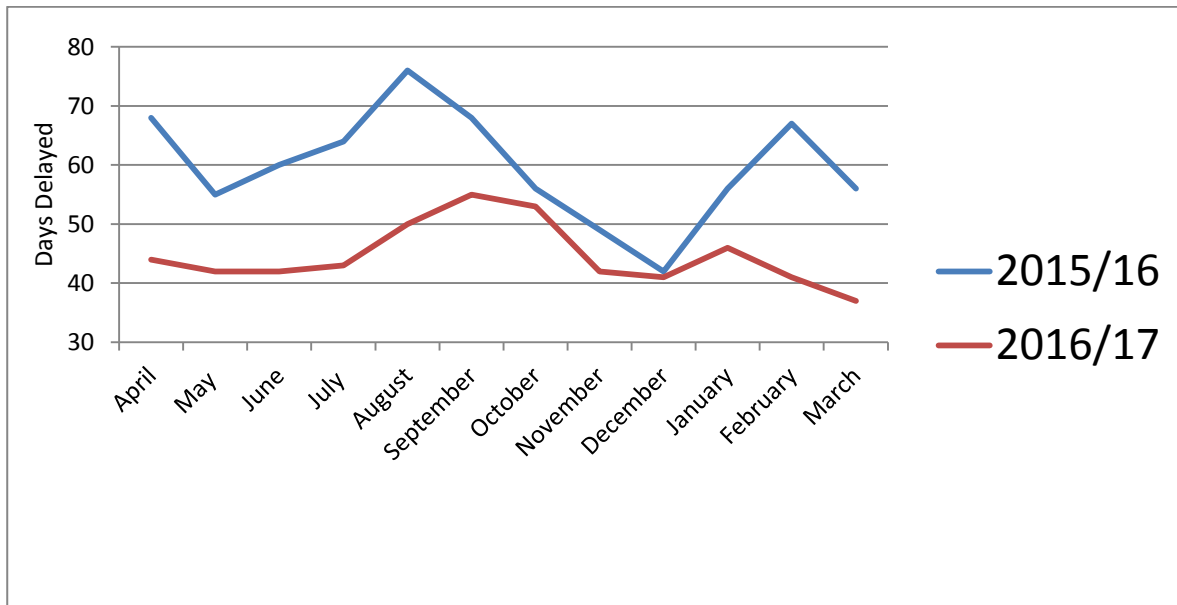
- NI 6 - percentage of people with positive experience of the care provided by their GP practice 84% (Scottish average 87%).
- NI 18 - percentage of adults with intensive care needs receiving care at home 53% (Scottish average 62%)

74. A key driver towards integration has been the projected increase in demand for health and social care as a result of an increasingly ageing population. Older people make more use of hospital services than the rest of the population and consequently, the integration agenda aims to reduce unnecessary admissions to hospital and delayed discharges.

75. Aberdeenshire IJB reported good progress in reducing the number of people who were delayed in hospital. A range of community projects are in place which has enabled earlier discharge and assisted in avoiding readmission. Projects included: care at home, intermediate care, falls prevention and a rehabilitation and enablement approach.

76. Exhibit 8 shows a decrease in delayed discharge cases between September 2016 and March 2017 and overall the numbers reported for 2016/17 are lower than the previous year.

Exhibit 8 - Number of delayed discharges



Source: Aberdeenshire IJB board report

Good practice

77. A project being promoted as an example of collaborative working which is assisting in avoiding hospital admission is the Virtual Community Ward. Multi-disciplinary integrated teams of local health and social care staff are regularly monitoring vulnerable people and providing an appropriate level of care, with the aim of being proactive to avoid the need for hospital care on an emergency basis.

78. Introduced in April 2016, the Virtual Care Ward has supported around 600 people at home across Aberdeenshire who would previously have required admission to hospital (i.e. 68% of people using the approach).

79. This demonstrates the benefits of being proactive, and the impact that can be made from managing individuals' health prior to them needing urgent care.

National performance audit reports

80. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17, we published a number of reports which are of direct interest to the board. These are listed in in [Appendix 3 \(page 28\)](#).

Appendix 1

Action plan 2016/17



Page/
para
no.

Issue/risk

Recommendation

Agreed management
action/timing

13/32	<p>The IJB's financial regulations provide signposting to partners' fraud policies but are silent on whistleblowing policies.</p> <p>Risk: arrangements are not effective.</p>	<p>There is scope to review the completeness of the IJB's fraud arrangements.</p>	<p>The existing Whistleblowing policies of partners will be reviewed and recommended for adoption.</p> <p>December 2017</p>
17/53	<p>Structures are now in place for localities with the first locality plans expected with effect from 2018/19.</p> <p>Risk: with known pressures in the area such as GP and carer shortages, there are risks of insufficient capacity in communities to be able to build services.</p>	<p>Locality plans should include detailed information on shortages and capacity issues to ensure that strategic planning is based on realistic information.</p>	<p>This is a known area of risk, therefore locality knowledge and service knowledge are being utilised to determine appropriate solutions. Workforce Planning (Issue / Risk above) will form a sustainable longer term approach.</p> <p>Ongoing</p>
17/54	<p>The board is at an early stage in developing workforce planning for integrated teams.</p> <p>Risk: with an ageing workforce especially in rural areas, there are risks that integration will be difficult to implement.</p>	<p>Continue to progress long term workforce planning to demonstrate the development of integrated teams and highlight potential gaps in skills and experience.</p>	<p>Embed effective Workforce Planning building on the lessons learned from the ongoing integration of colleagues from partner organisations.</p> <p>April 2018</p>
20/70	<p>The board produced its first annual performance report to meet the statutory deadline. Due to the early stage of development, some information could not be provided e.g. split of funding between localities, an assessment of best value in service delivery.</p> <p>Risk: the annual report which is a statutory requirement does not deliver against expectations.</p>	<p>Plans should be put in place to collate the required information.</p>	<p>Performance information is reported regularly and is therefore collated regularly. It is intended to increase the data produced, including financial data and report this to Management Team and in time for the next annual report.</p> <p>April 2018</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 to 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 Management override of controls</p> <p>As stated in International Standard on Auditing 240, management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> Detailed testing of journal entries. Review of accounting estimates. Focused testing of accruals and prepayments. Evaluation of significant transactions that are outside the normal course of business. 	<ul style="list-style-type: none"> Assurances taken from audit work carried 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 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. As 2016/17 is the first year the IJB is operational, there is a risk that procedures for agreement of balances is 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 auditors of partner bodies (Aberdeenshire Council and NHS Grampian) with regard to income and expenditure for the year and balances held at 31 March 2017. 	<ul style="list-style-type: none"> Balances were agreed between NHS Grampian, Aberdeenshire Council and the IJB in advance of deadlines for respective bodies' annual accounts. Some challenges were experienced between partners in agreeing relevant balances and the analyses of respective balances. While resolved for 2016/17 accounts purposes, a lessons learnt exercise should be carried out in advance of agreeing the 2017/18 annual accounts timetable.

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 financial planning</p> <p>The IJB has so far only approved a one year budget. With single year financial settlements and elements of the settlement requiring ongoing clarification with the Scottish Government, the opportunity for longer term financial planning has been challenging. 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.</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"> • A small surplus was achieved for 2016/17 and a break-even position has been set for 2017/18. • The board recognises the benefits of longer term planning and has a commitment to develop a 5 year financial strategy. • Locality planning and workforce planning are at an early stage of development but will support the development of integrated teams and services in due course.
<p>5 Budget overspends</p> <p>The IJB has experienced overspends during the year on a range of health and social care budgets. Overall, however a surplus is forecast for 2016/17 due to additional Scottish Government monies received in the year to meet living wage obligations and other commitments. Owing to the demand led nature of several budgets, there are challenges ahead in delivering financial balances if efficiencies are not achieved.</p>	<ul style="list-style-type: none"> • Review of budget setting reports, financial monitoring and other financial updates considered by the Board. • Review of outturn against planned efficiencies. 	<ul style="list-style-type: none"> • A small surplus was achieved for 2016/17. • A break-even position has been set for 2017/18 which assumes delivery of identified savings of £3.5m. • There is ongoing uncertainty about the extent of additional funding to be allocated to IJBs by the Scottish Government. • Locality planning and workforce planning will assist financial planning going forward.
<p>6 Measuring the shift in resources</p> <p>The IJB approved a 3 year strategic plan covering 2016-19 and this is supported by an annual commissioning plan which continues to evolve. While the plan sets out the IJB's strategic priorities, associated tasks and provides links to funding streams, at this stage a workforce plan has only recently been developed. There is a risk that the IJB will not be able to demonstrate measurable progress in integrating services and shifting resources.</p>	<ul style="list-style-type: none"> • Review of strategic plan, commissioning plan and monitoring reports. 	<p>The IJB is at an early stage in the development of integrated workforce planning and locality plans. The focus has been on implementing the new locality structures which were in place for 2017/18 and locality plans are expected to be in place for 2018/19.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>7 Effectiveness of the board</p> <p>With existing vacancies on the board and local government elections this year, there is a risk that the IJB's progress will lose momentum until new members have been inducted. While this is the case across local government, IJBs, as relatively new bodies, may experience a more significant impact.</p>	<ul style="list-style-type: none"> • Review the board's arrangements for the induction and training of new board members. • Follow up work on our 2011 national report on the role of boards 	<ul style="list-style-type: none"> • We found the board to be operating effectively, with a good level of scrutiny being demonstrated at meetings. The IJB is at an early stage of development with many aspects of governance continuing to evolve. • There has been a good level of continuity of board membership following the local government election.

Appendix 3

Summary of national performance reports 2016/17

IJB relevant reports

[*The National Fraud Initiative in Scotland*](#) – June 2016

[*NHS in Scotland 2016*](#) – October 2016

[*Social work in Scotland*](#) – September 2016

[*Scotland's NHS workforce*](#) – February 2017

Aberdeenshire Joint Board

2016/17 Annual Audit Report

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