

**REPORT TO THE ABERDEENSHIRE INTEGRATION JOINT BOARD
AUDIT COMMITTEE – 27 NOVEMBER 2019**

INTERNAL AUDIT REPORTS

1. Recommendation

1.1 The Committee is requested to review, discuss and comment on the issues raised within this report.

2. Discussion

2.1 This report advises the Committee of a completed audit relating to the Integration Joint Board. Appropriate officers agreed the factual accuracy of the Internal Audit report prior to issue.

2.2 The Chief Finance Officer and Legal Monitoring Officer within Business Services of the Council have been consulted in the preparation of this report and any comments made have been incorporated within the report and they are satisfied that the report complies with relevant legislation.

3. Internal Audit Report

3.1 Budget Setting, Monitoring and Financial Reporting (Internal Audit Report 1924 – September 2019)

3.1.1 Aberdeenshire Health and Social Care Partnership formed in February 2016, following approval of its Integration Scheme. Publication of its Strategic Plan, and delegation of service delivery by its Partners: NHS Grampian and Aberdeenshire Council, was completed to allow the Partnership to commence operations in April 2016.

3.1.2 The Partnership manages its strategy and operations via an Integration Joint Board (IJB), supported by Committees, a Management Team, and Officers. Resources and budgets have been delegated to the Partnership, which directs services from the Partners via official Directions in order to fulfil the requirements of its Strategic Plan. The IJB set a budget of £306,892,000 for 2018/19, and £316,659,000 for 2019/20.

3.1.3 The objective of this audit was to ensure that appropriate arrangements are in place regarding IJB budget setting, monitoring and financial reporting (relates to IJB risk reference 1990 – Sufficiency and affordability of Resource).

3.1.4 Led by the IJB's Chief Finance Officer, Finance teams from both Partners work together to develop, monitor and report against the IJB's budget. Whilst each team has its own documented processes there is currently no written guidance for

collating this for the IJB. The Service has agreed to develop procedures and has improved quality and retention of supporting working papers.

- 3.1.5 Whilst budgets are being consolidated and monitored at a Partnership level, due to the separate financial systems in use this data is not currently combined. Budget holders receive data from their parent organisation in the format available from its financial system. Having more than one source of financial information, in different formats, presents a risk to the efficiency of budget management. As services and management become more integrated there will need to be consistent consolidated data to inform localised decision making. The Service has noted that this is a national issue and the solution will be long term. The IJB is looking at various tools which may enable consolidated financial reporting to budget holders. However, this work is at a very early stage with a number of technical and information governance issues to be resolved. The Service has therefore been unable to commit to a date by which this will be concluded.
- 3.1.6 There are regular changes to the IJB's budget, as a result of new funding, new responsibilities, or virements between service headings. Whilst there is an overall reconciliation appended to financial monitoring reports this only describes the source and value of changes, and not the impact on individual service headings. In one instance the reconciliation did not include all changes since the previous quarter. Additionally, year-end reporting does not include the original budget to facilitate comparison between the resources planned to be available and those provided and used during the year. The Service has stated that the IJB's financial performance is measured by comparing overall actual spend with the current budget. Reporting the variance against original budget would not add value in terms of assessing financial performance. Internal Audit considers that performance measurement and reporting at a service line level may be affected where budgets are adjusted, and this is not disclosed. This could affect decision making at a board level.
- 3.1.7 Due to budget constraints and the demand led nature of many of the services provided by the Partnership, there are regular anticipated variances from the budget. Where material in value, notes are appended to each Finance Update report to explain them. However, a number of these simply list the reason for an expected over or under-spend, without providing assurance that mitigating actions are being progressed. The Service has agreed to increase focus on the actions required to mitigate budget variances.
- 3.1.8 In accordance with the Scheme of Integration, reserves were utilised and additional budget was sought and received from the Partners to cover the additional expenditure in 2017/18 (£3.5 million). Similar requests have been made to Partners to fund an overspend in 2018/19 (£3.1 million). The medium term financial strategy, and the 2018/19 budget, anticipated continuing deficits for future years against a range of funding scenarios. The Service is updating the Medium Term Financial Framework to ensure it fully reflects the IJB Strategic Plan for 2020-25 and is aligned with the accompanying Commissioning Plan and Workforce Plan. It will then review whether this will demonstrate a break-even position based on the resources anticipated to be available.

4. Implications and Risk

- 4.1 An equality impact assessment is not required because the reason for this report is for Committee to discuss and comment on the findings of Internal Audit work and there will be no differential impact, as a result of this report, on people with protected characteristics.
- 4.2 There are no staffing or financial implications arising directly from this report other than those implicit in the tightening of internal controls recommended in the Internal Audit reports.
- 4.3 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management.

CHIEF INTERNAL AUDITOR

Report prepared by David Hughes, Chief Internal Auditor.
19 November 2019.

