



## **REPORT TO ABERDEENSHIRE INTEGRATION JOINT BOARD AUDIT COMMITTEE – 21 AUGUST 2019**

### **EXTERNAL AUDIT – REPORT ON THE 2018/19 AUDIT**

#### **1 Recommendation**

**1.1 The Committee is recommended to discuss and note this paper.**

#### **2 Background / Discussion**

2.1 The external auditor's audit plan for the 2018/19 financial year was considered by the Audit Committee in March 2019. It set out the audit approach to providing an opinion on the board's annual accounts which included:

- understanding the business of Aberdeenshire Integration Joint Board and the associated risks which could impact on the annual accounts
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the annual accounts
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the annual accounts are free of material misstatement.

2.2 The report provides an update on the status of the audit of the board's annual accounts and includes the significant matters arising from the audit of the accounts. The report also brings together the auditor's key messages from all audit work undertaken during the year in accordance with the auditor's Annual Audit Plan and Audit Scotland's Code of Audit Practice.

2.3 The Committee is asked to discuss and note the report, attached as appendix 1. It includes a plan of the action to be undertaken by officers in response to the key risks identified by the auditor.

2.4 The Chief Finance Officer and Monitoring Officer have been consulted in the preparation of this report. Any comments made have been incorporated within the report and they are satisfied that the report complies with the Scheme of Governance and relevant legislation.

### **3 Equalities, Staffing and Financial Implications**

- 3.1 An equality impact assessment is not required because the reason for this report is for the Committee to discuss and comment on the External Auditor's Annual Report and there will be no differential impact, as a result of this report, on people with protected characteristics.
- 3.2 There are no staffing and financial implications arising as a direct result of this report.
- 3.3 The External Audit process considers risks involved in the areas subject to review. Recommendations are made to address the identified risks and External Audit follow up progress with implementing those that are agreed with management.

**Alan Sharp**  
**Chief Finance Officer**

Report prepared by Anne MacDonald  
Senior Audit Manager, Audit Scotland  
14 August 2019

## Audit Committee

14 August 2019

### Aberdeenshire Integration Joint Board Audit of 2018/19 annual accounts

#### Independent auditor's report

1. Our audit work on the 2018/19 annual accounts is now substantially complete. Subject to the satisfactory conclusion of the outstanding matters referred to later in this letter, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 21 August 2019 (the proposed report is attached at [Appendix A](#)).

#### Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Audit Committee's consideration our draft annual report on the 2018/19 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.
3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public sector audit as set out in the Code of Audit Practice.
4. This report will be issued in final form after the annual accounts have been certified.

#### Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature and request that these misstatements be corrected.
6. We have no unadjusted misstatements to be corrected.

#### Representations from Section 95 Officer

7. As part of the completion of our audit, we are seeking written representations from the Chief Finance Officer on aspects of the annual accounts, including the judgements and estimates made.

8. A draft letter of representation is attached at **Appendix B**. This should be signed and returned to us by the Section 95 Officer with the signed annual accounts prior to the independent auditor's report being certified.

### **Outstanding matters**

9. We still require additional information in relation to the following matter:
  - Auditing standards require us to undertake a subsequent events review to identify any issues arising between the balance sheet date and the date the accounts are approved for signature by the Audit Committee which may have an impact on the financial statements. We are not aware of any issues at this stage but have yet to conclude final checks over the next week.

## APPENDIX A: Proposed Independent Auditor's Report

Using the technical guidance note below, ensure you copy and paste the correct model independent auditor's report for your client here - links below.

For formatting the IAR - use style '**09-BODY TEXT**' (in Audit Scotland toolbar)

[Link to technical guidance note on local authority independent auditor's reports](#)

### **Independent auditor's report to the members of Aberdeenshire Integration Joint Board and the Accounts Commission**

#### **Report on the audit of the financial statements**

##### **Opinion on financial statements**

I certify that I have audited the financial statements in the annual accounts of Aberdeenshire Integration Joint Board for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 2018/19 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the board as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

##### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is three years. I am independent of the board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the board's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

## Responsibilities of the Chief Finance Officer and Audit Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Audit Committee is responsible for overseeing the financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skillfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### **Other information in the annual accounts**

The Chief Finance Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Report on other requirements**

#### **Opinions on matters prescribed by the Accounts Commission**

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

#### **Matters on which I am required to report by exception**

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

## Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

## Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Gillian Woolman MA FCA CPFA  
Audit Director  
Audit Scotland  
4th Floor  
102 West Port  
Edinburgh  
EH3 9DN

22 August 2019

## APPENDIX B: Letter of Representation (ISA 580)

Gillian Woolman, Audit Director  
Audit Scotland  
4th Floor  
102 West Port  
Edinburgh  
EH3 9DN

Dear Gillian

### **Aberdeenshire Integration Joint Board (IJB) Annual Accounts 2018/19**

1. This representation letter is provided in connection with your audit of the annual accounts of Aberdeenshire IJB for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Board, the following representations given to you in connection with your audit of Aberdeenshire IJB's annual accounts for the year ended 31 March 2019.

### **General**

3. Aberdeenshire IJB and I have fulfilled our statutory responsibilities for the preparation of the 2018/19 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Aberdeenshire IJB have been recorded in the accounting records and are properly reflected in the financial statements.
4. I am not aware of any uncorrected misstatements.

### **Financial Reporting Framework**

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (2018/19 accounting code), mandatory guidance from LASAAC, and the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.
6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Aberdeenshire IJB at 31 March 2019 and the transactions for 2018/19.

### **Accounting Policies & Estimates**

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2018/19 accounting code, where applicable. Where the code does not specifically apply, I have used judgement in developing and applying

an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to the IJB's circumstances and have been consistently applied.

8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

### **Going Concern Basis of Accounting**

9. I have assessed the IJB's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on the IJB's ability to continue as a going concern.

### **Liabilities**

10. All liabilities at 31 March 2019 of which I am aware have been recognised in the annual accounts. There is no accrual at 31 March 2019 in respect of untaken leave entitlement as the Chief Officer had minimal outstanding leave at the year end.
11. There are no material liabilities requiring a provision to be recognised in the financial statements for liabilities of uncertain timing or amount at 31 March 2019 of which I am aware where the conditions specified in the 2018/19 accounting code have been met.
12. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

### **Fraud**

13. I have provided you with all information in relation to  
my assessment of the risk that the financial statements may be materially misstated as a result of fraud  
any allegations of fraud or suspected fraud affecting the financial statements  
fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

### **Laws and Regulations**

14. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

### **Related Party Transactions**

15. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2018/19 accounting code. I have made available to you the identity of all the IJB's related parties and all the related party relationships and transactions of which I am aware.

## Remuneration Report

16. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014, and all required information of which I am aware has been provided to you.

## Management commentary

17. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

## Corporate Governance

18. I confirm that the IJB has undertaken a review of the system of internal control during 2018/19 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
19. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements.
20. Adam Coldwells, the Chief Officer, has been appointed Interim Director of Strategy with NHS Grampian for a period of 12 months. He will move to this role at a date yet to be agreed following the appointment of an Acting Chief Officer. Otherwise, there have been no changes in the corporate governance arrangements or issues identified, since 31 March 2019, which require to be reflected.

## Balance Sheet

21. All events subsequent to 31 March 2019 for which the 2018/19 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Alan Sharp  
Chief Finance Officer

# Aberdeenshire Integration Joint Board

2018/19 Annual Audit Report



 AUDIT SCOTLAND

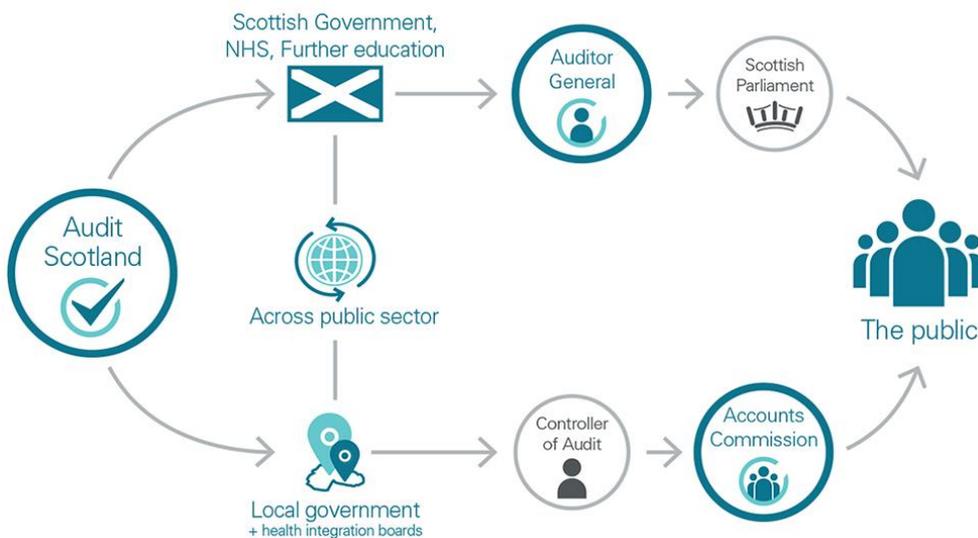
Prepared for Aberdeenshire Integration Joint Board and the Controller of Audit

21 August 2019

## 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

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## 2018/19 annual report and accounts

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

## Financial management and sustainability

- 3 The IJB has appropriate and effective budgetary processes in place which provide timely and reliable information for monitoring financial performance.
- 4 The IJB incurred a deficit of £3.1m and in accordance with its integration scheme, additional funding contributions were made by partners to enable the IJB to report a balanced financial position.
- 5 The medium term financial strategy should be refreshed and scenario planning used to identify and consider options in managing demand led budgets.

## Governance and transparency

- 6 Scrutiny arrangements were enhanced through the implementation of extended terms of reference and increased membership of the audit committee.
- 7 The board operates in an open and transparent manner with all board meetings and supporting papers available to the public online.

## Value for money

- 8 Best Value arrangements should be enhanced with the development of the new strategic plan and the introduction of new mechanisms between IJBs for benchmarking and sharing good practice.
- 9 While IJB performs above the national average in 16 out of 19 national indicators, its overall performance has reduced compared with the previous year.
- 10 Significant work has been undertaken to produce the board's next strategic plan. It needs to be more specific in setting out priorities, outcomes and targets so that progress against milestones is regularly reported to and monitored by the board.
- 11 The board recognises that workforce planning is in its infancy and that a longer term approach is required.

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# Introduction

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1. This report is a summary of our findings arising from the 2018/19 audit of Aberdeenshire Integration Joint Board, hereby referred to as the 'IJB'.
2. The scope of our audit was set out in our Annual Audit Plan presented to the March 2019 meeting of the Audit Committee. This report comprises the findings from:
  - an audit of the IJB's annual accounts
  - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

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## Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

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3. The main elements of our audit work in 2018/19 have been:
  - a review of the IJB's main financial systems
  - an audit of the IJB's 2018/19 annual accounts including issuing an independent auditor's report setting out our opinions
  - consideration of the four audit dimensions.
4. The IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.

5. The IJB is responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
6. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice \(2016\)](#) and supplementary guidance, and International Standards on Auditing in the UK.
7. As public sector auditors we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of the IJB's financial position and arrangements for securing financial sustainability, and the suitability and effectiveness of its governance and value for money arrangements including transparency and performance management. In doing this, we aim to support improvement and accountability.
8. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice \(2016\)](#) and supplementary guidance.
9. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist.
10. Our annual audit report contains an agreed action plan at Appendix 1 setting out specific recommendations, responsible officers and dates for implementation.
11. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can confirm that we have not undertaken any non-audit related services and therefore the 2018/19 audit fee of £25k, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

### **Adding value through the audit**

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

# Part 1

## Audit of 2018/19 annual accounts



### Main judgements

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

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

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

### Audit opinions on the annual accounts

15. The annual accounts for the year ended 31 March 2019 were approved by the IJB audit committee on 21 August 2019. We reported within our independent auditor's report that in our opinion:

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

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

### Submission of annual accounts for audit

17. We received the unaudited financial statements on 19 June 2019, in line with our agreed audit timetable. The accounts were prepared to a good standard in line with the Code of Practice on Local Authority Accounting 2018/19 (the accounting code).

18. The IJB's Chief Finance Officer role is a dual role. Until 31 October 2018, it was filled by the officer who is also the Head of Finance for Aberdeenshire Council. At that point, he resigned and the officer who is and continues to be the Deputy Director of Finance with NHS Grampian was appointed Chief Finance Officer. As explained in the Remuneration Report, the Chief Finance Officer role is carried out as part of the officer's substantive post in the partner body and there has been no recharge of salary to the IJB.

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

## Risks of material misstatement

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

## Materiality

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

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

## Exhibit 2 Materiality values

Materiality level	Amount
<b>Planning materiality</b> – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1.5% of gross expenditure based on the latest audited accounts.	£4.8m
<b>Performance materiality</b> – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 70% of planning materiality.	£3.6m
<b>Reporting threshold (i.e. clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 5% of planning materiality or a maximum of £250,000.	£250k

Source: Audit Scotland, 2018/19 Annual Audit Plan

## Evaluation of misstatements

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

## Significant findings from the audit in accordance with ISA 260

24. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. These are summarised in [Exhibit 3](#).
25. The findings include our views about significant qualitative aspects of the board's accounting practices, for example, misstatements in the annual accounts and accounting estimates and judgements.

### Exhibit 3

#### Significant findings from the audit of the financial statements

Issue	Resolution
<p><b>1. Management Commentary</b></p> <p>While a high quality management commentary was provided with the annual accounts, it needs strengthening in two areas to meet the requirements of Scottish Government regulations. The relevant areas are:</p> <ul style="list-style-type: none"> <li>- more commentary required on performance in the year</li> <li>- while a high level list of risks was provided, the regulations require a commentary on the key risks, the board's concerns in these areas and steps taken by the board to mitigate the risks.</li> </ul> <p>There is a risk that the IJB is not complying with relevant regulations.</p>	<p>Matters were discussed with officers and additional commentary added to the revised accounts.</p>
<p><b>2. Segmental reporting</b></p> <p>The accounting code requires an IJB to present operating segments on the face of the Comprehensive Income and Expenditure Statement (CIES) on the basis of its organisational structure. Aberdeenshire IJB's CIES included 14 segments, some with fairly low balances. All segments do not need to be reported and aggregation is recommended to keep the total to a proportionate and reasonable number. An amendment to the 2018/19 accounting code indicates that ten is a practical limit for the number of operating segments to be disclosed.</p> <p>There is a risk that the IJB is not complying with the Code.</p>	<p>The matter was discussed with officers and the CIES amended in the revised accounts in line with the accounting code.</p>

#### Good practice in financial reporting

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

# Part 2

## Financial management and sustainability



### Main judgements

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



The IJB incurred a deficit of £3.1m and, in accordance with the integration scheme, additional funding contributions were made by partners to enable the IJB to report a balanced financial position.

The medium term financial strategy should be refreshed and scenario planning used to identify and consider options in managing demand led budgets.

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

### Financial management

27. 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 board
- IJB members provide a good level of challenge on the financial position and significant variances
- the board's understanding of the financial position was strengthened in the year through the work of the IJB Finance Group.

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

### Systems of internal control

29. Due to the nature of the IJB, it does not operate any key financial systems, such as payroll and ledger systems. Instead it relies on the systems used by its partner bodies. In accordance with ISA 402: Audit considerations relating to an entity using a service organisation, we sought assurances from the external auditor of NHS Grampian and Aberdeenshire Council as part of our planned audit approach.

30. CareFirst records individual care agreements including details of care packages to be provided, the periods over which support is required, associated costs and details of the care providers. Approximately £73m, representing 35,000 invoices, was processed through CareFirst in 2018/19.
31. This system also acts as a purchase ordering process against which care provider invoices are matched when approving an invoice for payment. Due to the volume of cases involved and level of resources available, administration of the system has not been kept up to date e.g. cancelled cases are not routinely removed from the system
32. We undertook a focused sample of payments, targeting those paid significantly after the care was provided, to determine the reason for delay. Based on the sample, payments were made some 5 to 8 months after the relevant care had been provided. While the council received invoices in a timely manner, payment was delayed due to differences between the charges raised on invoices compared with the amounts agreed in care agreements which took time to investigate and resolve.
33. Given the nature of the services involved and the current economic climate, we recommended that the council review its arrangements to ensure it is not adversely impacting on the cash flow of businesses it is depending on. In response to our recommendation, a working group has been established to take these matters forward.
34. Otherwise, we were satisfied there were no significant weaknesses in the systems of internal control in either body that would have a material impact on the IJB.

## Financial performance in 2018/19

35. 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 this income and expenditure and report this financial information to the IJB.
36. The agreed budget for 2018/19 was set at a breakeven position on the assumption that proposed budget savings of £5.3m would be achieved from a number of budget areas including out of area cases, community hospitals and greater integrated working. Since formation, the IJB has experienced financial challenges of around £3m which officers expected to continue although monitoring arrangements were in place to mitigate this.
37. Regular reporting by the Chief Finance Officer provided the board with clear information on actual and forecast positions. In March 2018, the IJB Finance Group was established and included the IJB Chair and Vice Chair supported by the Chief Officer and Chief Finance Officer. It met regularly during the year to share a better understanding of the board's financial position, challenges experienced and progress in delivering planned savings.
38. Financial performance in 2018/19 was largely in line with in-year projections. In summer 2018, financial monitoring reports anticipated an overspend of £3.9m which reduced to £2.9m by January 2019 but this increased again in March 2019 to return an overall deficit of £3.1m for the financial year. This was subsequently met by additional contributions from partners. [Exhibit 4](#) sets out a comparison of financial performance against budget.

**Exhibit 4****Performance against budget**

IJB budget objective summary	Budget £000	Forecast £000	Variance £000
Budget set in March 2018	306,892		
Position at 30 June 2018	308,791		
Position at 31 August 2018	307,208	311,134	3,926
Position at 31 December 2018	310,567	313,735	3,168
Position at 31 March 2019	313,709	316,846	3,137

Source: IJB Budget monitoring reports

**39.** The IJB's main areas of overspend were in relation to community hospitals, community care packages and care management packages. Although an increase in community hospital expenditure was experienced this year, there has been an overall downward trend in spend over recent years. Reasons for the overspend included the use of agency staff and actual staff costs being higher than the rates used in budget calculations. Due to rising demand, care package expenditure also increased with the service managing care for around 120 more people than the previous year.

**Financial planning**

**40.** The IJB demonstrated good practice by approving its 2019/20 budget in March 2019, in advance of the start of the financial year. The budget approved included agreement to make budget savings of £2.2m. In line with national guidelines, approximately £10m new funding has been allocated to the IJB to cover uprating increases, implementation of the Living Wage, and the impact of free personal care for under 65s and the Carers' Act. In addition, the local government settlement provided an option for councils to reduce the level of funding allocated for adult social care. The local impact of this could have been £2.3m, however Aberdeenshire Council agreed to retain its funding at 2018/19 levels which provides an example of the collaborative approach operating between the partners.

**41.** In March 2017, the board acknowledged the need to look beyond the current year when creating its financial plans by agreeing the development of a 5 year strategy. The current medium term financial strategy includes budgets for 5 years to 2022/23 and identified a total funding gap of approx. £7m. We would however suggest that the assumptions and bases supporting the medium term plan are updated to ensure that they reflect actual spending experience (e.g. staff budgets need to reflect actual pay scales rather than continue to use averages which are known to be lower).

**42.** In spite of rising demand and costs, the board has managed to contain its level of overspend each year at a similar level. It has also increased capacity in the system to the benefit of all partners. For example, the Virtual Community Ward continues to be a flagship initiative for the IJB. Over 2,000 people have now been supported at home across Aberdeenshire who would previously have required admission to hospital.

43. The board has however experienced a significant increase in the number and cost of care packages required. These are demand led budgets and therefore more difficult to manage. With a rising ageing population in the north east, it is likely that demand will continue to increase so the board will need plans in place to enable difficult decisions to be made if the overall financial position is to be maintained.
44. The board has appropriate processes in place but needs to ensure the medium term financial plan and annual budget are based on accurate data and up-to-date assumptions. With demand likely to increase on certain budgets, plans need to be put in place to demonstrate how priorities will be funded and the savings potential associated with alternative options. The board is currently developing its strategic plan for 2020-2025 which provides the opportunity to demonstrate the links between finances, workforce, priorities and outcomes and through scenario planning, to develop options and alternatives including exit strategies in preparation for any difficult decisions which may lie ahead.



#### Recommendation 1

**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.**

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# Part 3

## Governance and transparency

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### Main judgements

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Scrutiny arrangements were enhanced through the implementation of extended terms of reference and increased membership of the audit committee.

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

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Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

### Governance arrangements

45. 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.
46. 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.
47. The board is also supported in its work by the Chief Officer and Chief Finance Officer. The former provides strategic and operational advice to the board, while the latter is responsible for financial management including budget monitoring reports.
48. The board met on nine occasions during 2018/19. We reviewed the minutes for those board meetings to assess its effectiveness and occasionally observed meetings for a greater insight into proceedings.
49. 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 are regular senior officer meetings involving NHS Grampian's Chief Executive and the council Chief Executive for the appropriate IJB area along with the relevant IJB Chief Officer and Chief Finance Officer. Our discussions with members and officers confirmed that these arrangements continued to work well during the year.

- 50.** In May 2016, the board approved the establishment of an audit committee with the remit of providing assurance to the board on the operation of appropriate systems of internal control and that the IJB's business is conducted in accordance with all laws and regulations. In 2017/18, we recommended that a review of the operation of the committee be undertaken as there was scope to extend the committee's business beyond its coverage of internal audit and external audit reports which had become the main content of agendas. A review was therefore carried out in autumn 2018 involving audit committee members, the Chief Officer, and Chief Finance Officer, the Clerk to the Board and internal audit and external audit.
- 51.** This resulted in recommendations to the board to extend the terms of reference and membership of the audit committee. Business will now include risk management, strategic planning arrangements, information security and performance. The committee's responsibilities for the IJB's annual accounts were clarified and it will now both consider and approve the annual accounts. While the quorum for the committee has been retained as 3 voting members, membership of the committee has been increased from 4 to 6 members, being 4 voting members and 2 non-voting members. The new arrangements were approved by the board in December 2018 and the first meeting of the extended audit committee was in March 2019. We will review the impact of the expanded role and responsibilities as part of the 2019/20 audit.
- 52.** We also previously reported that the audit committee should have oversight of the board's effectiveness review of governance arrangements and formally consider the outcome of this review alongside the annual governance statement. With the change in chief finance officer during the year, our audit recommendation has not yet been implemented. We are however satisfied that appropriate actions have been reflected in the annual governance statement.

## Transparency

- 53.** Transparency means that the general public has access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using resources.
- 54.** 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.
- 55.** 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.
- 56.** Overall, we have concluded that the IJB conducts its business in an open and transparent manner that is appropriate for a public sector body.

## Internal audit

- 57.** 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.
- 58.** The board's appointed internal auditor is Aberdeenshire Council's Chief Internal Auditor. In respect of 2018/19, he concluded that reasonable assurance could be taken from the controls the board had in place.

- 59.** As part of the assurances we have taken from the external auditor of Aberdeenshire Council, we 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) during the year and has sound documentation, standards and reporting procedures in place. In accordance with our Annual Audit Plan, this assurance forms part of our wider dimension work.

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

- 60.** As the IJB effectively only has one employee, it does not have its own specific fraud policy, but through its financial regulations, it has adopted the policies of its partner bodies and refers relevant parties to these policies. There is also an outstanding recommendation from our 2016/17 report for the IJB to adopt partners' whistle blowing policies. This is due to be implemented in the next scheduled update of the Financial Regulations. In addition, the IJB has an approved Code of Conduct which sets out requirements for members to complete Registers of Interest and a record of Gifts and Hospitality. We confirmed that the IJB's Standards Officer ensures these records are kept up to date.
- 61.** Assurances from the external auditor of NHS Grampian have confirmed that significant work has been undertaken to strengthen its arrangements for completion of Gifts and Hospitality records. In Aberdeenshire Council, in response to external audit recommendations, the requirement to complete registers of interest has now been extended to senior officers and a refreshed fraud policy should be implemented by the end of the year.
- 62.** Overall, we have concluded that satisfactory arrangements are in place.

# Part 4

## Value for Money



### Main judgements



**Best Value arrangements should be enhanced with the development of the new strategic plan and the introduction of new mechanisms between IJBs for benchmarking and sharing good practice.**

**While IJB performs above the national average in 16 out of 19 national indicators, its overall performance has reduced compared with the previous year.**

**Significant work has been undertaken to produce the board's next strategic plan. It needs to set out priorities, outcomes and targets so that progress against milestones is regularly reported to and monitored by the board.**

**The board recognises that workforce planning is in its infancy and that a longer term approach to workforce planning is required.**

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

### Value for money and performance management

63. Best Value duties apply to accountable officers across the public sector. To achieve value for money, the IJB should have effective arrangements for scrutinising performance, monitoring progress towards its strategic objectives and holding partners to account.
64. The board receives performance reports on a quarterly basis in the form of a dashboard which are also available on the council's website. These reports provide a link between the strategic priorities set by the board, and the board's performance against local and national standards.
65. In addition to quarterly performance reports, an Annual Performance Report was approved by the board and published in July 2019. While the IJB reported scores at or above the Scottish average in 16 out of 19 national indicators, half the indicators are updated biennially (in this case 2017/18) and the rest annually. Of the 10 indicators which are updated annually, there has been a marginal decline in the performance of 6 indicators when compared with the previous year. Overall however, the IJB remains above the Scottish average in most cases.
66. Based on the indicators updated annually, there is only one indicator where the reported performance is below the Scottish average - the number of adults with intensive needs receiving care at home.
67. There is strong evidence of the existence of best value characteristics in IJB arrangements including, for example, the development and review of appropriate planning and review processes. In the previous year, we commented on the need to improve performance reporting and recommended that this be done as part of the consideration of outcomes within the new strategic plan. This work is still in progress as outlined below.

## Strategic and service planning

68. The IJB's 2016-19 strategic plan was supported by a two year commissioning plan. We previously concluded that both these documents were fairly high level and with detailed objectives being set by programme at operational level, it was difficult for the board to assess progress against its plans.
69. Significant work has been carried out during the year to produce the board's next strategic plan covering the period 2020-2025. Originally planned for publication in spring 2018, the timetable was extended to enable a fuller programme of engagement activity to be undertaken. This programme has recently been completed, enabling the public to provide feedback on areas of importance related to the strategic priorities. The next step is for the IJB to consider the draft plan in August 2019 before launching an extensive consultation process in the autumn with final publication scheduled for January 2020.
70. The development of the board's strategic plan for 2020-2025 and the more detailed supporting Commissioning Plan provides the opportunity for the IJB to demonstrate links between finances, workforce, priorities and outcomes. In line with Audit Scotland recommendations, plans to 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 2

**Strategic planning needs to be clearer in terms of priorities, outcomes and targets to enable progress against milestones to be regularly reported and monitored.**

**Longer term, there needs to be improved links between financial and workforce plans and strategic priorities.**

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71. 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.

## Workforce planning

72. While the IJB does not employ staff, it needs to work with partners to influence their workforce plans and ensure they include the use of carers and voluntary workers. Aberdeenshire Health and Social Care Partnership prepared an initial workforce plan in February 2017 which has been refreshed on an annual basis. While it provides a detailed analysis of the number and category of staff, age profile, turnover and vacancies and the narrative provided sets out key risks including recruitment and retention issues, work needs to progress to identify future service need and service redesign options in order that gaps in numbers, skills and location can be identified.



### Recommendation 3

**Longer term workforce planning should be progressed alongside the board's strategic plan to support the development of integrated teams and to inform plans for service redesign.**

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## National performance audit reports

73. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2018/19 we published the following reports which are of direct interest to IJBs:

- [\*Local government in Scotland: Challenges and performance 2018\*](#) – April 2018
- [\*Councils' use of arm's-length organisations\*](#) – May 2018
- [\*Children and young people's mental health\*](#) – September 2018
- [\*NHS in Scotland 2018\*](#) – October 2018
- [\*Health and social care integration: update on progress\*](#) – November 2018
- [\*Local government in Scotland: Financial overview 2017/18\*](#) – November 2018
- [\*Local government in Scotland: Challenges and performance 2019\*](#) – March 2019

74. The second national audit of health social care published in November 2018 provided an update on the risks identified in the first report in December 2015 and set out the following features which need to be present to support effective integration:

- collaborative leadership and building relationships
- integrated finances
- strategic planning for improvement
- agreed governance and accountability arrangements
- sharing information
- engagement.

75. Over the last year, the Ministerial Strategic Group has also completed a review of integration. It reported in January 2019 and used the features from Audit Scotland's report as a framework for making a range of recommendations.

- 76.** In March 2018, the Scottish Parliament Health and Social Committee took evidence on the Scottish Government Health Budget and considered whether it was delivering the desired outcomes for health and social care integration. In considering leadership, the committee’s report referred to research by the King’s Fund which made recommendations to strengthen the work and role of the chief officers’ network. This led to the formation of Health and Social Care Scotland, a collaboration of health and social care leaders and managers from across the partnerships.
- 77.** Using the Audit Scotland features, [Exhibit 5](#) provides a commentary in respect of our observations of Aberdeenshire IJB with an overall traffic light assessment (RAG assessment).

## Exhibit 5 Features of integration demonstrated by Aberdeenshire IJB

Characteristic	Comments	Assessment
Collaborative Leadership and building relationships	<p>Stable leadership across partners</p> <p>Rotating chair/vice chair arrangements between partners</p> <p>Different forums in operation across the NHS Grampian area</p> <p>Chief Officer is a member of the 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 in place but needs updating</p> <p>Financial information needs to be linked with strategic plan to demonstrate how priorities will be funded and sustainable.</p>	
Effective strategic planning for improvement	<p>New five year strategic plan needs to set out how and when priorities/outcomes will be achieved.</p> <p>New plans need to link workforce and financial plans to demonstrate sustainability over time</p> <p>Full delegation of delegated hospital budget and set aside arrangements not yet implemented.</p>	
Agreed governance and accountability arrangements	<p>Effective working relationships in place with partner bodies since the IJB was formed</p> <p>Locality plans in introduced in June 2018, unclear at this stage if this has led to local decision making</p> <p>Best value processes in place with evidence of service review. More focus needed on assessing the impact of service redesign and implementing mechanisms for ongoing continuous improvement activity.</p>	

Characteristic	Comments	Assessment
Ability and willingness to share information	Arrangements for benchmarking and sharing best practice to be implemented by Chief Officers. Aspects of this feature are being taken forward through Health and Social Care Scotland.	
Meaningful and sustained engagement	Wide public engagement and consultation undertaken/planned in relation to strategic and locality planning. Less evidence so far on how this has influenced service redesign  Robust engagement and consultation on a range of recent strategies e.g. mental health, carers etc.	
	New arrangements under development, too early to comment	
	Good processes in place, more work required	
	Robust processes in place	

Source: Audit Scotland

## Added value

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

# Appendix 1

## Action plan 2018/19



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>The medium term financial plan has been in place for some time but needs to be refreshed.</p> <p><b>Risk: the board is unable to demonstrate how the delivery of outcomes will be resourced and sustainability of new ways of working.</b></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><a href="#">Paragraph 44</a></p>
2	<p>It is difficult to measure progress against plans due to the absence of targets and milestones.</p> <p><b>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.</b></p>	<p>Strategic planning needs to be clearer in terms of priorities, outcomes and targets to enable progress against milestones to be regularly reported and monitored.</p> <p>Longer term, there needs to be improved links between financial and workforce plans and strategic priorities.</p>	<p><a href="#">Paragraph 70</a></p>
3	<p>An annual workforce plan is prepared which provides a snapshot of the staff numbers and skills in place. There is however no indication of future service needs, location or future staffing pressures.</p> <p><b>Risk: with an ageing workforce especially in rural areas, a need to manage costs within budget and respond to the needs of an increasing population, it is essential that the right resource is in the right place.</b></p>	<p>Longer term workforce planning should be progressed alongside the board's strategic plan to support the development of integrated teams and to inform plans for service redesign.</p>	<p><a href="#">Paragraph 72</a></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
<b>Risks of material misstatement in the financial statements</b>		
<p><b>1 Risk of management override of controls</b></p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<ul style="list-style-type: none"> <li>Detailed testing of journal entries</li> <li>Review of accounting estimates</li> <li>Focused testing of accruals and prepayments</li> <li>Evaluate service auditor assurances from the auditors of partner bodies (Aberdeenshire Council and NHS Grampian).</li> </ul>	<ul style="list-style-type: none"> <li>Assurances taken from audit work carried out on NHS Grampian and Aberdeenshire Council by respective internal and external auditors</li> <li>Disclosures within IJB accounts have been agreed to relevant disclosures within partner bodies' accounts.</li> </ul>
<p><b>2 Completeness of expenditure</b></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"> <li>Assurances from partner bodies on the completeness and accuracy of data.</li> <li>Chief Finance Officer is also a senior finance officer in a partner body.</li> <li>Regular/robust budget monitoring.</li> </ul>	<ul style="list-style-type: none"> <li>Satisfactory service auditor assurances obtained in respect of Aberdeenshire Council and NHS Grampian.</li> </ul>
<b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b>		
<p><b>3 Financial management</b></p> <p>The IJB is working with partners to manage an estimated budget shortfall of £4m. This is in line with the previous year and partners are already committed to providing an additional contribution. Owing to the demand led nature of several budgets, there is a risk that the shortfall is higher and so increasing the pressure on partners.</p>	<ul style="list-style-type: none"> <li>Regular budget monitoring. Finance reports are regularly provided to the board</li> <li>Involvement of the Board and management in budget monitoring</li> <li>Budget settlement and split regarding the overspend to be provided to the board</li> </ul>	<ul style="list-style-type: none"> <li>Commentary included in Annual Audit Report.</li> </ul>

Audit risk	Assurance procedure	Results and conclusions
<p><b>4 Delivering outcomes</b></p> <p>It is difficult to measure progress against plans due to the absence of outcomes, targets and milestones.</p> <p>While the board has a five year financial plan and reports annually on its workforce, more needs to be done in align plans with strategic priorities.</p> <p>There is a risk that the board is unable to demonstrate that it has the right resources in place to deliver sustainable change and improve outcomes.</p>	<ul style="list-style-type: none"> <li>• Strategic Plan 2019-22 currently being developed</li> <li>• Development sessions will consider appropriate targets and outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>• Commentary included in Annual Audit Report.</li> </ul>

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# Aberdeenshire Integration Joint Board

## 2018/19 Annual Audit Report

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