

# Aberdeenshire Integration Joint Board

Progress Report 2020/21



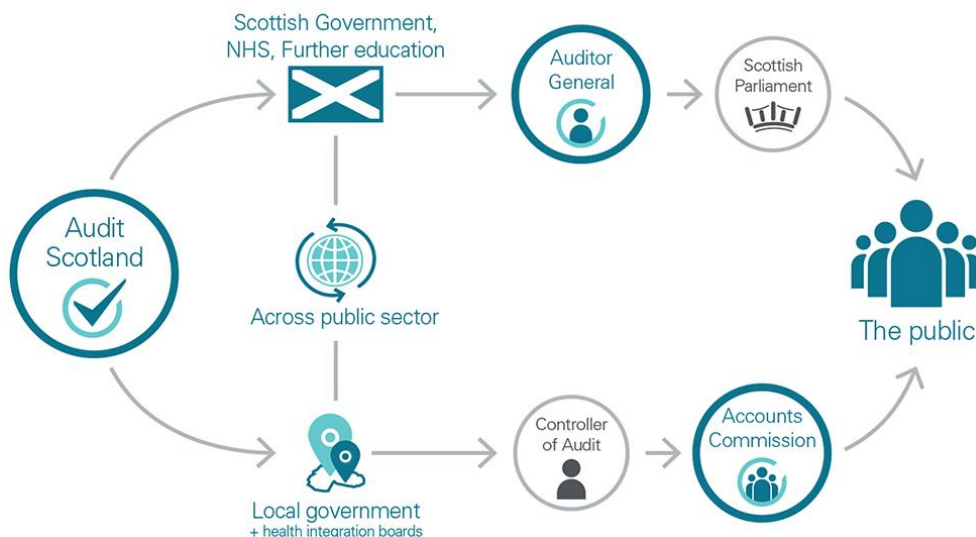
 AUDIT SCOTLAND

Prepared for Aberdeenshire IJB  
June 2021

## 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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# Audit findings

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## Introduction

1. This report contains an update on progress with the 2020/21 audit of Aberdeenshire Integration Joint Board (IJB).
2. Aberdeenshire IJB relies on information generated by its partner bodies (Aberdeenshire Council and NHS Grampian) for key financial systems such as the general ledger and payroll. The details of the IJB's financial transactions are processed through the partners' systems and those partners are responsible for appropriate systems of internal control. The IJB's transactions are recorded separately from those of the partner bodies in their respective ledgers.
3. Our responsibilities under the [Code of Audit Practice](#) require us to assess the 'system of internal control put in place by management. We seek to gain assurance that the audited body:
  - has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements
  - has systems of internal control which provide an adequate means of preventing and detecting error, fraud or corruption
  - complies with established policies, procedures, laws and regulations.

## Interim audit work summary

4. In accordance with *ISA 330: the auditor's response to assessed risk*, our audit judgements are based on current year testing of controls and where appropriate prior year results. In line with our Annual Audit Plan, we have placed reliance on our audit work in partner bodies and where appropriate, we have placed reliance on the work of internal audit.
5. In planning for the controls work, several meetings were held with partner finance teams to understand the changes made to internal controls as a result of the impact of Covid-19. Specific testing has been built into audit plans to ensure the revised arrangements included an appropriate level of control. No significant issues were identified from this work.
6. We consider the following as key controls: reconciliation of feeder systems to the general ledger, payroll validation and exception reporting, budgetary controls, authorisation of journals, change of supplier bank details and IT access controls.



Reconciliations



Payroll controls



Budgets



IT access

7. As part of our financial statements opinion work, we substantively test samples of transactions including income, supplier payments, journals and payroll costs. With the exception of payroll costs where our testing is ongoing, this work is largely complete in respect of months one to ten inclusive, and no major exceptions have been noted. In all cases, our testing strategies have been extended this year to cover the increase in expenditure as a result of the impact of Covid-19.

## Financial statements

8. There are a number of emerging issues arising in the preparation of the partner bodies' accounts which are also likely to impact on the IJB's accounts. These issues are set out below and largely relate to the increased funding provided by Scottish Government and the additional expenditure incurred locally as a result of the impact of Covid-19.
9. The following issues will be subject to audit focus as we undertake our audit of the IJB's annual accounts and are likely to feature in our Annual Audit Report in due course:
- depending on the nature of the expenditure, an organisation acts as either a principal or an agent and consequently, different accounting treatment applies as set out below. With regard to Integration Joint Boards, most of the additional Covid-19 expenditure is likely to be regarded as principal arrangements.
    - as principal – funds should be recorded through the primary financial statements on an accruals basis
    - on an agency basis – material cash receipts and payments should be disclosed as a note to the accounts with an appropriate audit trail (ie such payments are not included in the primary financial statements).
  - an important factor in deciding whether expenditure should be accounted for as a principal or agency arrangement is whether local approval and/or discretion is required. Sustainability payments to care homes are regarded as principal payments. While the calculations involved set occupancy percentages, providers needed to meet eligibility criteria which required local review and approval. Similarly, care homes could make claims for reimbursement of additional expenditure incurred due to the impact of Covid-19 but consideration of these claims required local discretion/approval. In both these cases, the expenditure is therefore regarded as principal arrangements.
  - also linked with Covid and increased Scottish Government funding, IJBs are likely to carry large reserves at 31 March which has not previously been the case. In many cases, this will be ring-fenced funding received in the final months of 2020/21 which IJBs were unable to spend and will therefore be carried forward to the next financial year as earmarked funding.
  - the service auditor has issued qualified opinions on payments to primary care practitioners again this year. However, there is less overall risk involved as dental and ophthalmic services were largely protected due to the pandemic.

# Aberdeenshire Integration Joint Board

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