

ADDITIONAL CIRCULATION



Aberdeen City Health & Social Care Partnership
A caring partnership

To: Members of the Audit and Performance Systems Committee

Town House,
ABERDEEN, 27 May 2019

AUDIT AND PERFORMANCE SYSTEMS COMMITTEE

The undernoted **ADDITIONAL** items are circulated in connection with the meeting of the **AUDIT AND PERFORMANCE SYSTEMS COMMITTEE** to be held on **TUESDAY, 28 MAY 2019 at 10.00 AM.**

FRASER BELL
CHIEF OFFICER - GOVERNANCE

BUSINESS

8 External Audit Annual Report (Pages 3 - 36)

15 Audited Annual Accounts (Pages 37 - 98)

Should you require any further information about this agenda, please contact Derek Jamieson, tel 01224 523057 or email derjamieson@aberdeencity.gov.uk

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Audit and Performance Systems Committee

Date of Meeting	28.05.2019
Report Title	External Audit Final Report
Report Number	HSCP.19.030
Lead Officer	Andy Shaw, External Auditor (KPMG)
Report Author Details	Andy Shaw, External Auditor (KPMG)
Consultation Checklist Completed	No
Appendices	Appendix A – KPMG (2018) - <i>'ISA 260: Audit report to those charged with governance and the Controller of Audit – year ended 31 March 2019'</i>

1. Purpose of the Report

- 1.1. The purpose of this report is to present the Audit & Performance Systems (APS) Committee with the external audit report *'ISA 260: Audit report to those charged with governance and the Controller of Audit – year ended 31 March 2019'* for discussion and noting.

2. Recommendations

It is recommended that the Audit & Performance Systems Committee:

- 1) Note the contents of the report.

3. Summary of Key Information

- 3.1. The Accounts Commission has appointed KPMG LLP as auditor of the Aberdeen City Integration Joint Board (IJB).
- 3.2. This report to those charged with governance is designed to summarise the external auditor's opinions and conclusions on significant issues arising from



Audit and Performance Systems Committee

the audit of the financial statements for Aberdeen City IJB for the financial period 2018/19.

- 3.3. The scope and nature of the audit was set out in the audit strategy document, which was presented to the Audit & Performance Systems committee at the outset of the audit.
- 3.4. There were not any new audit recommendations identified during the audit for the year ended 31 March 2019.
- 3.5. There was one recommendation made during the audit for the year ended 31 March 2018. This is complete, and no issues were noted during the 2018-19 audit.

4. Implications for IJB

- 4.1. **Equalities** – there are no direct implications arising from this report.
- 4.2. **Fairer Scotland Duty** – there are no direct implications arising from this report.
- 4.3. **Financial** – there are no direct implications arising from this report.
- 4.4. **Workforce** - there are no direct implications arising from this report.
- 4.5. **Legal** – there are no direct implications arising from this report.
- 4.6. **Other** - NA

5. Links to ACHSCP Strategic Plan

- 5.1. Ensuring good governance will support the IJB to achieve all elements of its strategic plan.

6. Management of Risk

- 6.1. **Identified risks(s):** The External Audit process considers risks involved in the areas subject to review. Any risk implications identified through the External Audit process are as detailed in the resultant report.
- 6.2. **Link to risks on strategic risk register:** There is a risk of financial failure, that demand outstrips budget and IJB cannot deliver on priorities, statutory work, and projects an overspend.



Audit and Performance Systems Committee

- 6.3. **How might the content of this report impact or mitigate these risks:**
Where risks have been identified during the External Audit process, recommendations have been made to management in order to mitigate these risks.



Audit and Performance Systems Committee

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Aberdeen City Integration Joint Board

Annual Audit Report to the Members of Aberdeen Integration Joint Board and the Controller of Audit for the year ended 31 March 2019

24 May 2019

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Contents

DRAFT

This document is DRAFT, pending signing of the annual audit opinion.

	Page
Executive summary	3
Scope and responsibilities	4
Financial statements and accounting	5
Wider scope and Best Value	15
Appendices	24

About this report

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's *Code of Audit Practice* ("the Code").

This report is for the benefit of Aberdeen City Integration Joint Board ("IJB") and is made available to Audit Scotland and the Controller of Audit (together "the Beneficiaries"). This report has not been designed to be of benefit to anyone except the Beneficiaries. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Beneficiaries, even though we may have been aware that others might read this report. We have prepared this report for the benefit of the Beneficiaries alone. Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the introduction and responsibilities sections of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the Beneficiaries) for any purpose or in any context. Any party other than the Beneficiaries that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Beneficiary's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Beneficiaries.

Complaints

If at any time you would like to discuss with us how our services can be improved or if you have a complaint about them, you are invited to contact Andy Shaw, who is the engagement leader for our services to the IJB, telephone 0131 527 6673, email: andrew.shaw@kpmg.co.uk who will try to resolve your complaint. If your problem is not resolved, you should contact Hugh Harvie, our Head of Audit in Scotland, either by writing to him at Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG or by telephoning 0131 527 6682 or email to hugh.harvie@kpmg.co.uk. We will investigate any complaint promptly and do what we can to resolve the difficulties. After this, if you are still dissatisfied with how your complaint has been handled you can refer the matter to Fiona Kordiak, Director of Audit Services, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN.

Executive summary

Page 9

Audit conclusions

Page 8

We **intend to issue** an unqualified audit opinion on the annual accounts of Aberdeen City Integration Joint Board (“the IJB” or “the Board”) following their approval by the IJB on 28 May 2019.

We identified one significant risk in the audit of the IJB at the outset of the audit, being the management override of controls fraud risk. As documented on pages 10 to 12, we have concluded satisfactorily in respect of the significant risk and the audit focus areas identified in the audit strategy document.

The annual accounts, governance statement and remuneration report were received at the start of the audit fieldwork. We have no matters to highlight in respect of adjusted audit differences or our independence.

Financial position

Page 5

The IJB reported an overspend against budget of £2.7 million for the year. The IJB has a responsibility to set a breakeven budget each year; for 2018-19 this was achieved through agreed use of Integration and Change Funds from carried forward reserves.

Budget pressures of £4.6 million were incorporated within the 2019-20 budget. The greatest of these being staff pay awards (£2.5 million) and an Aberdeen City Council funding reduction of £1.9 million. The IJB identified saving options of £4.6 million in order to mitigate the financial impact of the budget pressures.

Financial management and financial sustainability

Page 16

DRAFT

The IJB faces ongoing financial pressures due to increasing needs, funding constraints and the cost pressures faced by the two partners. Both partners have budgeted for required savings within their respective services. We remain satisfied that the IJB is a going concern as a result of the Integration Scheme and the financial sustainability of the partners, together with the £2.5 million risk fund held by the IJB.

We are satisfied that the ongoing development of a five year medium term financial framework will help the IJB plan for future pressures, and it will support officers in discussions of future budget settlements. We consider the arrangements regarding financial management are effective.

Scope and responsibilities

Purpose of this report

The Accounts Commission has appointed KPMG LLP as auditor of Aberdeen City Integration Joint Board under part VII of the Local Government (Scotland) Act 1973 (“the Act”). The period of appointment is 2016-17 to 2021-22, inclusive.

Our annual audit report is designed to summarise our opinions and conclusions on significant issues arising from our audit. It is addressed to both those charged with governance at the IJB and the Controller of Audit. The scope and nature of our audit are set out in our audit strategy document which was presented to the Audit and Performance Systems Committee (“the APS”) on 12 February 2019.

Audit Scotland’s Code of Audit Practice (“the Code”) sets out the wider dimensions of public sector audit which involves not only the audit of the financial statements but also consideration areas such as financial performance and corporate governance.

Accountable officer responsibilities

The Code sets out the IJB’s responsibilities in respect of:

- corporate governance;
- financial statements and related reports;
- standards of conduct for prevention and detection of fraud and error;
- financial position; and
- Best Value

Auditor responsibilities

This report reflects our overall responsibility to carry out an audit in accordance with our statutory responsibilities under the Act and in accordance with International Standards on Auditing (UK) (“ISAs”) issued by the Financial Reporting Council and the Code. Appendix one sets out how we have met each of the responsibilities set out in the Code.

Scope

An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance.

Weaknesses or risks identified are only those which have come to our attention during our normal audit work in accordance with the Code, and may not be all that exist.

Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Under the requirements of ISA 260 *Communication with those charged with governance*, we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity.

This report to those charged with governance, and our presentation to the APS, together with previous reports to the APS throughout the year, discharges the requirements of ISA 260.

Financial position

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Overview

The Public Bodies (Joint Working) (Scotland) Act 2014 specifies that Integration Joint Boards should be treated as if they were bodies falling within section 106 of the Local Government (Scotland) Act 1973. The financial statements of the IJB should therefore be prepared in accordance with the 1973 Act and the 2018-19 Code of Practice on Local Authority Accounting in the United Kingdom (“the CIPFA Code”).

The Board is responsible for the strategic planning and delivery of health and adult social care services in Aberdeen. The Board is responsible for the services as set out in the Integration Scheme, which includes ‘hosted’ services which are provided by the IJB on behalf of the other Integration Joint Boards in Grampian: Aberdeenshire and Moray.

Financial management overview

The IJB budget process begins in September each year with final approval by March.

The Board does not have any fixed assets, nor does it directly incur expenditure or employ staff (other than the Chief Officer and the Chief Finance Officer). All funding and expenditure is delegated to the partner organisations and is recorded in the partner organisation’s accounting records.

Legislation empowers the Board to hold reserves. The Integration Scheme and the reserves strategy set out the arrangements between the partners for addressing and financing any overspends or underspends. It highlights that in the event of an underspend at the year end, it will be retained by the IJB as reserves following agreement with the partners, unless the following conditions apply:

- where a clear error has been made in calculating the budget requisition; or
- in other circumstances agreed through a tri-partite agreement between the partners and the IJB.

During 2018-19, the IJB overspent against budget. The recognised overspend has been appropriately reflected as part of the IJB’s reserves movements during the year.

Snapshot of 2018-19



Financial position (continued)

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2018-19 Financial position

A deficit of £2.7 million is reported in the comprehensive income and expenditure statement ("CIES"), which was funded from brought forward reserves.

Comprehensive income and expenditure statement

The IJB has a responsibility to set a breakeven budget each year. For 2018-19 this was achieved from an agreed use of Integration and Change Funds from carried forward reserves, in addition to budgeted Integration and Change Fund utilisation.

The budget is updated and revised throughout the year, based on known pressures and actual results achieved. This is reported to the Board to challenge and approve the amendments.

Key CIES underspends and overspends

- Learning disabilities: overspend £2.9 million. This is attributable to the higher than anticipated needs led home care, which had a total spend over the year of £3.9 million. This was partially offset by an underspend in needs led residential care (£0.6 million) and direct payments (£0.3 million).
- Community health services: underspend £1.2 million. Primarily due challenges in recruitment, in particular with respect to dental services and management.
- Transformation funding: overspend £1.4 million. This arose on transformation projects during the year. It is an element of the IJB's strategy to fund transformation from Integration and Change Fund reserves.

Expenditure	Full year revised budget (£000)	2018-19 Actual (£000)	(Under) / over spend (£000)
Community health services	32,772	31,595	(1,177)
Aberdeen City share of hosted health services	21,916	22,330	414
Learning disabilities	31,738	34,621	2,883
Mental health and addictions	19,838	19,993	155
Older people and physical and sensory disabilities	74,720	74,255	(464)
Directorate	423	171	(252)
Criminal Justice	93	98	5
Housing	1,861	1,861	-
Primary care prescribing	40,731	40,317	(414)
Primary care	38,877	38,885	8
Out of area treatments	1,517	1,690	173
Set-Aside	46,416	46,416	-
Transformation funding	4,255	5,653	1,397
Total mainstream	315,157	317,885	2,728

Source: Finance update as at 31 March 2019

Financial position (continued)

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Balance sheet

As the IJB does not own fixed assets or hold bank accounts, the balance sheet is made up solely of amounts owing to and from the partner organisations and the resulting reserves.

The debtors and creditors balances as at 31 March 2019 consist of £8.1 million owed by NHS Grampian ("NHSG") and £2.6 million owed to Aberdeen City Council ("ACC"). These amounts relate to Integration and Change Fund expenditure which has been committed but not yet spent.

Balance sheet	2018-19 (£000)	2017-18 (£000)
Short term debtors	8,147	8,307
Short term creditors	(2,569)	-
Net assets	5,578	8,307
Useable reserves	(5,578)	(8,307)
Total reserves	(5,578)	(8,307)

Source: Audited annual accounts for the year ended 31 March 2019

The IJB utilised £2.7 million of reserves brought forward from 2017-18, being the deficit for the year. Of the closing reserves position of £5.6 million, £2.5 million has been earmarked in a risk fund. The risk fund is intended to support the health and social care services provision and protect against any budget pressures during the year.

We provide further narrative on financial sustainability and financial management on pages 16 to 20.

Audit conclusions

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Audit opinion

Following approval of the annual accounts by the APS, we **expect to issue** an unqualified opinion on the truth and fairness of the state of the IJB's affairs as at 31 March 2019, and of the deficit for the year then ended. **Audit Scotland issued revised audit opinion wording shortly before the audit, with contents which are being reviewed by KPMG's risk team. No opinion is included within the draft annual accounts as a result, although this relates to wording only, not the overall anticipated unqualified opinion.**

There are no matters identified on which we are required to report by exception.

Financial reporting framework, legislation and other reporting requirements

The IJB is required to prepare its annual accounts in accordance with International Financial Reporting Standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 ("the CIPFA Code"), and in accordance with the Local Authority Accounts (Scotland) Regulations 2014. Our audit confirmed that the financial statements have been prepared in accordance with the CIPFA Code and relevant legislation.

Statutory reports

We have not identified any circumstances to notify the Controller of Audit that indicate a statutory report may be required.

Other communications

We did not encounter any significant difficulties during the audit. There were no other significant matters arising from the audit that were discussed, or subject to correspondence with management that have not been included within this report. There are no other matters arising from the audit, that, in our professional judgement, are significant to the oversight of the financial reporting process.

Audit misstatements

There were no misstatements identified during the audit. There were minor presentational and disclosure adjustments made by management as a result of our audit.

Written representations

Our representation letter will not include any additional representations to those that are standard as required for our audit.

Materiality and summary of risk areas

Materiality

We summarised our approach to materiality in the audit strategy document. On receipt of the annual accounts and following completion of audit testing we reviewed our materiality levels and concluded that the level of materiality set at planning was still relevant.

We used a materiality of £3.1 million for the IJB's annual accounts. This equates to 1% of cost of services expenditure. We designed our procedures to detect errors in specific accounts at a lower level of precision than our materiality. Our performance materiality was £2.325 million. We report all misstatements greater than £155,000.

Forming our opinions and conclusions

In gathering the evidence for the above opinions and conclusions we:

- performed substantive procedures to ensure that key risks to the annual accounts have been covered;
- communicated with the Chief Internal Auditor of ACC, who provides internal audit support to the IJB, and reviewed internal audit reports as issued to the APS to ensure all key risk areas which may be viewed to have an impact on the annual accounts had been considered;
- reviewed estimates and accounting judgments made by management and considered these for appropriateness;
- considered the potential effect of fraud on the annual accounts through discussions with senior management and internal audit to gain a better understanding of the work performed in relation to the prevention and detection of fraud; and
- attended APS meetings to communicate our findings to those charged with governance, and to update our understanding of the key governance processes.

Financial statements preparation

Draft financial statements were published online in line with Section 195 of Local Government (Scotland) Act 1973, this included the management commentary and Annual Governance Statement.

In advance of our audit fieldwork we issued a 'prepared by client' request setting out a list of required analyses and supporting documentation. We received working papers of good quality, and draft financial statements were provided on at the start of the audit fieldwork, including the management commentary and the remuneration report.

During the audit minor presentational changes were agreed with management.

Significant risks and other focus areas in relation to the audit of the financial statements

We summarise below the risks of material misstatement as reported within the audit strategy document.

Significant risks (page ten of this report):

- management override of controls fraud risk

Other focus areas (page 11 and 12 of this report):

- completeness and accuracy of expenditure; and
- financial sustainability (also a wider scope area).

Wider scope areas (page 15 of this report):

- financial sustainability;
- financial management;
- value for money; and
- governance and transparency.

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Financial statements and accounting

Significant risks

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Page 16

SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
<p>Management override of controls fraud risk</p> <p>Professional standards require us to communicate the fraud risk from management override of controls as a significant risk; as management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to the audit of the IJB.</p> <p>Strong oversight of finances by IJB management, as well as management at the executive level, provides additional review of potential material errors caused by management override of controls.</p> <p>We agreed the total income, expenditure and debtor balances to confirmations from the partner organisations.</p>	<p>There were no specific circumstances identified which would indicate additional risk of management override of controls. No overrides in controls were identified.</p>
<p>Income recognition fraud risk (rebutted)</p> <p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p>	<p>As set out in our audit strategy document, the Board receives funding from ACC and NHSG. These are agreed in advance of the year, with any changes arising from changes in need, requiring approval from each body. There is no estimation or judgement in recognising this stream of income and we do not regard the risk of fraud to be significant.</p> <p>We have obtained confirmations of income from each of the partner organisations.</p>	<p>No exceptions were noted in agreeing income to partner organisation confirmations.</p> <p>We are satisfied that income is recognised appropriately, in the correct financial year and in line with the CIPFA Code.</p>

Financial statements and accounting

Other focus areas

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OTHER FOCUS AREA	OUR RESPONSE	AUDIT CONCLUSION
<p>Financial sustainability</p> <p>Financial sustainability looks forward to the medium and longer term to consider whether the Board is planning effectively to continue to deliver its services or the way in which they should be delivered. This is inherently a risk to the Board given the challenging environment where funding is reduced and efficiency savings are required</p>	<p>In order to assess the ability of the IJB to continue to deliver services in the medium to long term, we have reviewed the following key documents:</p> <ul style="list-style-type: none"> — Integration Scheme (as updated in March 2018). — Reserves strategy. — Medium term financial strategy. — Transformation programme. <p>We enquired of the external auditors of ACC (KPMG) and NHSG (Audit Scotland) as to the financial sustainability of those organisations.</p>	<p>The IJB has detailed plans in place over the medium term to consider how services will be provided in future years. These take into consideration known and expected budget pressures. In response, plans have been prepared to close the funding gap through a combination of service transformation, efficiency savings and service redesign. Within total reserves of £5.6 million, a risk fund of £2.5 million is held as at 31 March 2019 to provide some cover for unexpected events or emergencies.</p> <p>Having enquired of the external auditors of the partner organisations which share the funding obligations of the IJB, there are no expected financial sustainability qualifications for those organisations.</p> <p>In view of the medium term financial strategy, reserves position and the financial position of the partner organisations, we consider that the IJB is financially sustainable. Management should continue to ensure that the financial plans are robustly monitored closely to identify any potential overspends as soon as possible to allow mitigating action to be taken.</p>

Financial statements and accounting

Other focus areas (continued)

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OTHER FOCUS AREA	OUR RESPONSE	AUDIT CONCLUSION
<p>Completeness and accuracy of expenditure</p> <p>The Board receives expenditure forecasts from Aberdeen City Council and NHS Grampian as part of the annual budgeting process. There is a risk that actual expenditure and resulting funding requisition income is not correctly captured.</p>	<p>The closing balances with the partner organisations were agreed to confirmations from each body, and the split of expenditure on the comprehensive income and expenditure statement agreed to reports from the partner organisations.</p> <p>The IJB does not post journals throughout the year, with financial processing taking place at the partner bodies. Adjustments are posted as part of the year end accounts preparation process. These post-closing entries were tested without exceptions identified.</p>	<p>The expenditure disclosed in the accounts is complete and accurate.</p>

Management reporting in financial statements

REPORT	SUMMARY OBSERVATIONS	AUDIT CONCLUSION
<p>Management commentary</p>	<p>The Local Authority Accounts (Scotland) Regulations 2014 require the inclusion of a management commentary within the annual accounts, similar to the Companies Act requirements for listed entity financial statements. The requirements are outlined in the Local Government finance circular 5/2015.</p> <p>We are required to read the management commentary and express an opinion as to whether it is consistent with the information provided in the annual accounts.</p> <p>We also review the contents of the management commentary against the guidance contained in the CIPFA template IJB accounts.</p>	<p>The information contained within the management commentary is consistent with the annual accounts.</p> <p>We reviewed the contents of the management commentary against the guidance contained in the Local Government finance circular 5/2015 and are content with the proposed report.</p>
<p>Remuneration report</p>	<p>The remuneration report was included within the unaudited annual accounts and supporting reports and working papers were provided.</p>	<p>The information contained within the revised remuneration report is consistent with the underlying records and the annual accounts and all required disclosures have been made.</p> <p>Our independent auditor's report confirms that the part of the remuneration report subject to audit has been properly prepared.</p>
<p>Annual Governance Statement</p>	<p>The statement for 2018-19 outlines the corporate governance and risk management arrangements in operation in the financial year. It provides detail on the IJB's governance framework, review of effectiveness, continuous improvement agenda, and analyses the efficiency and effectiveness of these elements of the framework. It also goes on to suggest improvement activities undertaken during the year over specific corporate governance principles.</p> <p>We review the annual governance statement to ensure that management's disclosure is consistent with the annual accounts, and that management have disclosed that which is required under the delivering good governance in local government framework.</p>	<p>We consider the governance framework and revised annual governance statement to be appropriate for the IJB and that it is in accordance with guidance and reflects our understanding of the IJB.</p>

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Qualitative aspects and future developments

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Qualitative aspects

ISA 260 requires us to report to those charged with governance our views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.

We consider the accounting policies adopted by IJB to be appropriate. There are no significant accounting practices which depart from what is acceptable under the Code of Practice on Local Authority Accounting.

Financial statement disclosures were considered against requirements for the Code of Practice on Local Authority Accounting, relevant legislation and IFRS. No departures from these requirements were identified.

There were no new accounting standards adopted by the Code of Practice on Local Authority Accounting during 2018-19 which affected the IJB.

There are no significant accounting estimates other than those relating to the calculation of the pension assets and liabilities previously summarised.

Financial statement disclosures were considered against requirements of Code of Practice on Local Authority Accounting, relevant legislation and IFRS. No departures from these requirements were identified.

Future accounting and audit developments

The new standards will be set out in Appendix C to the 2019-20 Code of Local Practice on Local Authority Accounting in the United Kingdom and are expected to include IFRS 16 Leases. This is not expected to have an impact on the IJB's annual accounts.

Wider scope and Best Value

Audit dimensions introduction and conclusions

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The Code of Audit Practice sets out four audit dimensions which, alongside Best Value in the local government sector, set a common framework for all the audit work conducted for the Controller of Audit and for the Accounts Commission: financial sustainability; financial management; governance and transparency; and value for money.

It remains the responsibility of the audited body to ensure that it has proper arrangements across each of these audit dimensions. These arrangements should be appropriate to the nature of the audited body and the services and functions that it has been created to deliver. We review and come to a conclusion on these proper arrangements.

During our work on the audit dimensions we considered the work carried out by internal audit and other scrutiny bodies to ensure our work meets the proportionate and integrated principles contained within the Code of Audit Practice.

Financial sustainability

Whilst there are significant budget savings included within the five year plan, the IJB has a strong transformation governance structure in place to monitor delivery of savings. The IJB is planning to deliver transformational change over the longer term in order to address some of the financial challenges.

Given that Aberdeen City Council and NHS Grampian fund the IJB in accordance with the Integration Scheme, together with the IJB's control over transformation, we consider that the IJB is financially sustainable.

Governance and transparency

We consider that the IJB has appropriate governance arrangements and they provide a framework for effective organisational decision making.

We consider that scrutiny is robust, specifically in respect of the APS where members demonstrate proportionate challenge.

The IJB is committed to transparency, with committee papers being publically available.

Aberdeen
City IJB

Value for money

We consider that the IJB has appropriate arrangements for using resources effectively and continually improving services.

Following our prior year recommendation, the Board approved its workforce plan in March 2019 which is aimed at supporting the staff in delivering the IJB's objectives.

Financial management

The IJB has strong controls over the monitoring of expenditure against budget, with quarterly reports being presented at board meetings and evident scrutiny of costs.

Financial capacity is appropriate, and is well supported by the executive team.

No audit adjustments were identified in the external audit and we consider that the control environment is robust. Management performed well to further accelerate the annual accounts preparation and audit timetable.

Wider scope and Best Value

Financial sustainability

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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.

Financial sustainability is a risk to the IJB given the challenging environment, where funding is reducing in real terms and efficiency savings are required. In assessing financial sustainability we consider whether the IJB is able to balance budgets in the short term and whether longer term financial pressures are understood and are planned for, as evidenced by the IJB's financial strategies and plans.

Budget setting

The IJB receives budget allocations from NHSG and ACC. The IJB budget is set one year in advance, in line with the current practice of single year budget allocations from Scottish Government. Management used the confirmed funding for the 2019-20 budget to develop a five year medium term financial strategy. Projections for 2019-20 are based on historic trends and planning assumptions.

The total approved funding for IJB in 2019-20 is £313.7 million, which is a 2.5% increase from the £305.9 million prior year budget. Around 70% of this funding comes from NHSG and 30% from ACC. The increase in funding is a combination of the Council passing on its share of an increased allocation (for Scottish living wage, Free Personal Care to under 65s, School Counselling and the Carers Act) and of additional NHSG grant income to cover pay awards, offset by the reduction in the Scottish Government grant settlement to the Council.

Both partners are facing financial challenges with demand exceeding resources available and transformation programmes being underway. Aberdeen City Council identified a £125 million saving target over five years as it commenced its transition to the new Target Operating Model in 2017-18. NHS Grampian has an estimated savings target of £20 million per annum over the next five years. These financial pressures directly impact the IJB as funding from partners is the IJB's sole source of recurring funding, and the partners' savings targets are naturally reflected within the IJB budget.

Local pressures have also impacted the five year financial plan, such as a projected 10% increase in the number of over 65s in the city between 2017 and 2022 and pressures from transitioning children with learning disabilities into the adult care.

	2019-20	2020-21	2021-22	2022-23	2023-24
	£000	£000	£000	£000	£000
Budget pressures	7,698	8,113	6,674	6,873	7,080
New requirements	(1,500)	(1,200)	(1,105)	(1,007)	(919)
Total net pressures	6,198	6,913	5,569	5,866	6,161
Reduction in Council funding	1,870	2,000	2,000	2,000	2,000
Uplift in NHS funding	(3,437)	(3,437)	(3,437)	(3,437)	(3,437)
Total funding adjustments	(1,567)	(1,437)	(1,437)	(1,437)	(1,437)
Savings target	4,631	5,476	4,132	4,429	4,724

Source: Medium term financial framework (12 March 2019)

The budget for 2019-20 is balanced, with the assumption that the gap will be closed by the following: savings from managing demand and inflation of £1.7 million; service redesign of £2.4 million; and income generation of £0.6 million. Integration and Change Funding was used in previous years to close the budget gap as a temporary measure, but it is not planned to be utilised for that purpose in 2019-20.

From 2019-20 onwards the IJB has identified budget pressures of between £4.1 million and £5.5 million per annum, with a surplus funding position on new requirements (such as Scottish living wage cost increases and the national care home contract cost increases) between £1.5 million and £0.9 million. The medium term financial strategy sets out the required efficiency, transformation programme, medicine management and service redesign savings required.

We note that savings targets are lower than those included within the medium term financial budget prepared in 2017-18, primarily reflecting the surplus in funding for new requirements.

Wider scope and Best Value

Financial sustainability (continued)

DRAFT

Risk sharing

The Integration Scheme sets out the process to be followed should the IJB overspend against the agreed budget. The Chief Finance Officer is expected to manage the budget to ensure that there are no overspends. Where an unexpected overspend is likely, the Chief Finance Officer should agree corrective action to mitigate the overspend. Where this does not resolve the gap, agreement must be made between the partners, in conjunction with the executive team, to agree a recovery plan to balance the budget.

Where this is unsuccessful and the IJB overspends at the year end, uncommitted reserves are applied to the overspend firstly and the remaining overspend is either met by a voluntary additional one-off payment from a partner or the partners make joint additional payments proportionate with their respective share of the IJB baseline budget.

This arrangement gives the IJB comfort that overspends will ultimately be met by the partners.

Reserves strategy

The IJB approved a reserves policy in October 2016 which sets out the statutory and regulatory framework for reserves, the operation of these reserves and the role of the Chief Finance Officer in determining the adequacy of reserves held by the IJB. The projected reserves position for 2019-20 was approved with the medium term financial strategy on 12 March 2019. The position, set out in the table opposite, includes a £2.5 million risk fund which was approved by the Board in 2016. This is a prudent approach by the IJB and is intended to create a contingency for unexpected events.

2019-20 reserves movements	£ million
Budgeted opening reserves	5.1
Primary care reserve utilisation	(0.4)
Integration and change fund utilisation	(0.9)
Closing reserves (at 31 March 2020)	3.8

Source: Medium term financial framework (12 March 2019)

The annual accounts as at 31 March 2019 were prepared on a going concern basis. The IJB is in its third year of operation and has ongoing transformation programme. At the end of 2018-19 it had reserves of £5.6 million which was greater than the budgeted £5.1 million. The reserves are estimated to fund £1.3 million (or 25%) of the total spend of £6.7 million on Integration and Change.

Transformation programme

The Board receives regular updates on progress towards transformation projects. Key decisions are presented to the Board for approval. The APS also receives detailed updates into transformation progress including 'deep dives' into specific areas at request. Following its revised strategy plan, the IJB refreshed its priorities in 2019 and has the following workstreams:

- Organisational Development & Cultural Change
- Digital
- Modernising Primary & Community Care
- Supporting Self-Management of Long Term Conditions and Building Community Capacity
- Efficient Resources.

Wider scope and Best Value

Financial sustainability (continued)

DRAFT

The Board expects that some of the transformation projects will need to move from 'test of change' status to 'scale up' status, integrating with existing business as usual to maximise available resources. To help with the transition, and support staff, the IJB recently approved its workforce plan and intends to use Lean Six Sigma methodology to improve processes.

As noted in our 2017-18 Annual Audit Report, a strong governance structure has been put in place to ensure effective operational and executive oversight of the transformation program. The programme has priority projects which are considered to have the largest potential impact and those that support the IJB's plans to shift towards a more person-centred and community-focussed health and social care service.

Efficiency savings

Wider efficiency savings have been identified as part of the five year plan, acknowledging that transformational savings will take longer to realise. These measures include:

- Service redesign: focus on delivering savings from continuous review of service provision to ensure the best service can be delivered within budget.
- Medicines management: focus on mitigating the risk of rising costs of primary care medicines, by introducing a range of measures to control prescribing volumes and reduce costs per item.
- Other efficiency savings including review of pricing policies and review of services.

Audit Scotland focus area: Changing public landscape for financial management and EU withdrawal

Scottish public finances are fundamentally changing, with significant tax-raising powers, new powers over borrowing and reserves, and responsibility for 11 social security benefits.

Scottish Government published an initial five-year Medium Term Financial Strategy in May 2018. Although delayed, the EU withdrawal is expected to take place in 2019 with possible wide impact on workforce planning and wider economic environment.

For the risks presented by these areas, the IJB's primary response is to consider the actions taken by ACC and NHSG, being the funders and commissioned bodies. This is an appropriate response.

Through the established risk management framework of the IJB, risks which directly impact the body are considered and managed. We note that in March 2019 the IJB approved its workforce plan with the impact of EU withdrawal in mind.

Conclusion

Whilst there are significant budget savings included within the five year plan, the IJB has a strong transformation governance structure to monitor delivery of savings. High level themes have been developed to support budget savings.

Given that ACC and NHSG fund the IJB in accordance with the Integration Scheme, together with the IJB's control over transformation, we consider that the IJB is financially sustainable.

In forming this conclusion we note the views of the appointed auditors for the partner bodies, neither of which raised exceptions in respect of financial sustainability.

The IJB is appropriately considering wider risks in relation to EU withdrawal and budgeting.

Wider scope and Best Value Financial management

DRAFT

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

The Chief Finance Officer is responsible for ensuring that appropriate financial services are available to the IJB and the chief officer.

Budgetary controls

The IJB's financial management comes under an appropriate degree of scrutiny, with budgets monitored at IJB, Local Authority and NHS level.

The IJB produces a quarterly finance update which is taken to both the Board and the APS. From a review of the minutes and attendance at meetings, it is evident that there is a sufficient level of scrutiny, and these reports have allowed the IJB to address overspends in a timely fashion.

Furthermore, a monthly finance update is provided from NHS Grampian to IJB management.

We reviewed the budgeting process including the monitoring of budgets throughout the year. We found that budget reports were presented to the Board and APS on a timely basis and that overspends are appropriately discussed and challenged.

Audit Scotland focus area: Key supplier dependency

All bodies are potentially exposed to the failure of a key supplier, in an operational and infrastructure context. For the IJB, ACC and NHGC are the key suppliers of services, but are unlikely to cease providing these services given the bodies' nature, purpose and role as partners to the IJB. We have commented on the financial sustainability aspects of both partners on page 16.

The IJB is aware of and is managing the risk of changing suppliers, including GPs and care providers. Key activities include market management and facilitation, consideration of inspection reports from the Care Inspectorate and contract monitoring process including GP contract review visits.

Bon Accord Care is a key supplier of care services and is a subsidiary of ACC. As part of the ACC governance arrangements the ALEO Assurance Hub receives monitoring reports on a routine basis, including in respect of financial sustainability and regulatory compliance. We consider that the IJB's arrangements in respect of supplier dependency risks are appropriate.

Audit Scotland focus area: Care income and financial assessments

Some other local government audits indicated there may be wider issues with the systems and processes for collecting care income and undertaking financial assessments on individuals receiving care.

ACC is responsible for collection of care income and processing financial assessments. Backlogs currently exist and the bodies commenced a lean Six Sigma continuous improvement project in February 2019 which will seek to simplify and shorten the financial assessments process.

Financial regulations

The IJB has standing financial regulations which determine how spend can be authorised. The highest expenditure that can be approved by the Chief Officer is £50,000, with anything above that level having to go through the Board, which conducts its meetings in public.

Finance function capacity

The S95 officer is the chief finance officer, therefore has appropriate status within the IJB and access to the partner chief executive officers and Board members. The finance function consists of the chief finance officer, and other resources are used as required from ACC and NHSG finance teams. Finance function capacity is considered to be appropriate, and is supported by a full leadership team.

The IJB provides induction and ongoing training for both elected members and other Board members. There is an ongoing calendar of workshops which take place after most Board meetings to address upcoming subjects and are intended to give members the knowledge they need in order to provide appropriate scrutiny.

Wider scope and Best Value Financial management (continued)

DRAFT

Annual accounts

The 2018-19 annual accounts preparation was brought forward by three weeks compared to 2017-18, to adhere to the ACC accelerated timetable. Officers issued unaudited annual accounts to the APS on 30 April 2019. The audit was conducted from 13 May 2019 and no audit adjustments were identified. Management performed well to accelerate the timetable whilst maintaining quality for the second year in a row.

Conclusion

The IJB has appropriate controls over the monitoring of expenditure against budget, with quarterly reports going to public board meetings and evident scrutiny of costs.

Financial capacity is appropriate, and is well supported by the executive team.

Management performed well to further accelerate the annual accounts preparation and audit timetable.

Page 26

Wider scope and Best Value

Governance and transparency

DRAFT

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 framework and decision making

The Board is responsible for establishing arrangements for ensuring the proper conduct of the affairs of the IJB and for monitoring the adequacy of these arrangements. To assist in this role, the IJB developed an assurance framework in conjunction with the Good Governance Institute, which provides readers with an understanding of the governance framework and the assurances that can be obtained from it. The Integration Scheme between ACC and NHSG also sets out key governance arrangements.

The Board comprises a wide range of service users and partners including elected councillors nominated by ACC and directors nominated by NHSG. The APS reviews the overall internal control arrangements of the Board and makes recommendations to the IJB regarding signing of the Annual Governance Statement.

A second committee, the Clinical Care and Governance Committee, focuses on clinical assurance.

The Board and APS each met on a regular basis throughout the year. We review minutes from each to assess their effectiveness. We also periodically attend meetings of the APS. From this we have concluded that the committee is effective and provides robust challenge.

The board assurance and escalation framework sets out how the Board obtains the appropriate assurances on its activities. This framework includes the governance structure, systems and performance outcomes through which the Board receives assurance. It also describes the escalation process.

The Chief Officer provides overall strategic and operational advice to the IJB and is accountable for the delivery of services. The Chief Officer is also accountable to both the Chief Executive of ACC and the Chief Executive of NHSG and provides regular reports to both the council and the NHS Board.

Following the departure of Judith Proctor, Sally Shaw was appointed as Interim Chief Officer on 10 April 2018. On 3 September 2018 Sandra Ross was appointed as the permanent Chief Officer, having previously been in the role of Managing Director of Bon Accord Care.

Risk management

The risk management processes are based on IJB's work with the Good Governance Institute from two years ago when all of the IJB's governance arrangements, including carrying out a review of the IJB's assurance framework, were reviewed. This provided assurance that key risks to the achievement of integration objectives have been appropriately identified, communicated and addressed. The IJB has set out its risk appetite in its strategic plan and the risk appetite is reviewed by the Board on an annual basis. Risk registers are regularly updated and scrutinised by management and the APS.

Internal control

ACC and NHSG are the partner bodies. All financial transactions of the Board are processed through the financial systems of the partner bodies and are subject to the same controls and scrutiny as the council and health board, including the work performed by internal audit.

Wider scope and Best Value

Governance and transparency (continued)

DRAFT

Internal audit

The IJB has an internal audit function which undertakes reviews at both the IJB level and ACC level. NHS Grampian has its own internal audit function, however any reviews specific to the IJB are shared with the Board and APS. Internal audit completed six audits during 2018-19 with one still in draft, and one in progress. There were no recommendations graded as 'major', 'critical' or 'high'.

The chief internal audit auditor concluded in the annual audit report that sufficient work was completed during the year, or was sufficiently advanced to enable it to conclude that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's framework of governance, risk management and control.

At the date of issuing his opinion (5 April 2019) the chief internal auditor noted that one significant recommendation was overdue. This recommendation was in relation to the development of the asset management strategy. Management noted that implementation of the recommendation was delayed, as the focus over the last year has been on moving forward the primary care projects per the deadlines. Management anticipates that the strategy will be completed by December 2019.

We considered the activities of internal audit against the requirements of Public Sector Internal Audit Standards ("PSIAS"), focusing our review on the public sector requirements of the attribute and performance standards contained within PSIAS. We reviewed internal audit reports and conclusions, and through discussion obtained the views of internal audit of risks of fraud within the Council.

The review of internal audit reports and conclusions did not indicate additional risks and there was no impact on our audit approach.

Fraud

Arrangements are in place to ensure that suspected or alleged frauds or irregularities are investigated by one of the partner bodies internal audit sections. Since the Board does not directly employ staff, investigations will be carried out by the internal audit service of the partner body where any fraud or irregularity originates. NHSG can also call on the expertise of Counter Fraud Services provided through NHS National Services Scotland.

Transparency

The public should be able to hold the IJB to account for the services it provides. Transparency means that the public has ready access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using its resources.

Full details of the meetings held by the IJB and the APS committee are available through the ACC website. Members of the public can access committee papers and minutes of meetings, with exempt items minimised as much as possible. Reasons for papers being discussed in private are given in the meeting minutes. Members of the public are welcome to attend board meetings and APS meetings.

We have not found evidence to suggest that information is unjustifiably withheld from public scrutiny. Furthermore, members of the public can attend meetings of the IJB. Overall we concluded that the IJB is open and transparent.

Conclusion

We consider that the IJB has appropriate governance arrangements and they provide a framework for effective organisational decision making.

The IJB considered the governance framework at its formation, including working with the Good Governance Institute to ensure that structures and processes are appropriate.

We consider that scrutiny is robust and transparent.

Wider scope and Best Value (continued)

Value for money

DRAFT

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

The Public Bodies (Joint Working) (Scotland) Act 2014 sets out a broad framework for creating integration authorities. This allowed boards flexibility to enable them to develop integrated services that best suited local circumstances.

The Integration Scheme specifies the range of functions delegated by the ACC and NHSG to the IJB. The IJB is responsible for establishing effective arrangements for scrutinising performance, monitoring progress towards its strategic objectives, and holding partners to account.

Performance indicators

Integration authorities are required to contribute towards nine national health and wellbeing outcomes which are intended to focus on the needs of the individual to promote their health and wellbeing, and in particular, to enable people to live healthier lives in their community. In order to review performance the IJB developed a performance management framework. The performance reports summarise performance to date towards the nine national health and wellbeing outcomes and the IJB's local strategic outcomes.

During 2018-19 the IJB refined its approach and re-mapped its 60 performance strategic indicators to the revised five strategic aims. The IJB considers its performance reports quarterly by both the APS and the Board. The IJB will summarise its performance in its annual performance report planned for the September meeting. With the new approach the Board will also receive reports on the national and the ministerial strategic group indicators after the financial year end and this is planned for June meeting.

Value for money in key decisions

The Board considers and discusses difficult decisions throughout the year as appropriate. For example, the transformational change projects to prioritise. These are supported by options appraisals and business cases where appropriate.

Learning from projects

The Board ran a number of projects in the year including Integrated Neighbourhood Care Aberdeen and West Visiting Service. These projects were aimed at implementing and testing new ways of working in care delivery and establishing integrated local teams. In both cases these pilot projects were used by the IJB to self-evaluate and to identify benefits, efficiencies and further ways to improve the services and their delivery. This work helps to identify efficiencies and supports culture of continuous improvement.

Conclusion

Overall, we consider that the IJB has appropriate arrangements for using resources effectively and continually improving services.



Appendices

Appointed auditor's responsibilities

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AREA	APPOINTED AUDITOR'S RESPONSIBILITIES	HOW WE HAVE MET OUR RESPONSIBILITIES
Statutory duties	Undertake statutory duties, and comply with professional engagement and ethical standards.	Appendix two outlines our approach to independence.
Financial statements and related reports	<p>Provide an opinion on audited bodies' financial statements and, where appropriate, the regularity of transactions.</p> <p>Review and report on, as appropriate, other information such as annual governance statements, management commentaries, and remuneration report.</p>	<p>Page 8 summarises the opinions we have provided.</p> <p>Page 13 reports on the other information contained in the financial statements, covering the management commentary, remuneration report and annual governance statement.</p>
Financial statements and related reports	Notify the Auditor General or Controller of Audit when circumstances indicate that a statutory report may be required.	Reviewed and concluded on the effectiveness and appropriateness of arrangements and systems of internal control, including risk management, internal audit, financial, operational and compliance controls.
Wider audit dimensions	<p>Demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies':</p> <ul style="list-style-type: none"> - Effectiveness in the use of public money and assets; - Suitability and effectiveness of corporate governance arrangements; - Financial position and arrangements for securing financial sustainability; - Effectiveness of arrangements to achieve best value; - Suitability of arrangements for preparing and publishing statutory performance information 	We have set our conclusions over the audit dimensions on page 15.

Auditor independence

Assessment of our objectivity and independence as auditor of Aberdeen Integration Joint Board

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity

Independence and objectivity considerations relating to the provision of non-audit services

DRAFT

Summary of fees

We have considered the fees charged by us to the entity for professional services provided by us during the reporting period.

There were no non-audit services provided during the year to 31 March 2019.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the IJB.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the IJB and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully,

KPMG LLP

Required communications with the APS

Type	Response
Our draft management representation letter	 We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2019.
Adjusted audit differences	 There were no adjusted audit differences.
Unadjusted audit differences	 There were no unadjusted audit differences.
Related parties	 There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit and Performance Committee	 There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	 We did not test any internal controls during our audit, and therefore have no deficiencies to report. Management retain the responsibility for maintaining an effective system of internal control.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	 No actual or suspected fraud involving group or component management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.

Type	Response
Significant difficulties	 No significant difficulties were encountered during the audit.
Modifications to auditor's report	 There were no modifications to the auditor's report.
Disagreements with management or scope limitations	 The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	 No material inconsistencies were identified related to other information in the annual report, management commentary and annual governance statement. The management commentary is fair, balanced and comprehensive, and complies with the law.
Breaches of independence	 No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
Accounting practices	 Over the course of our audit, we have evaluated the appropriateness of the IJB's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.

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Appendix four

Action Plan - Prior year recommendations

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We follow up prior-year audit recommendations to determine whether these have been addressed by management. The table below summarised the recommendations made during the 2016-17 final audit and their current status.

Grade	Number recommendations raised	Implemented	In progress	Overdue
Final	1	1	-	-

We have provided a summary of progress against 'in progress' actions below, and their current progress.

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions	Status
<i>Workforce planning (Value for Money)</i>	Grade three		
<p>The IJB's workforce plan is being developed. Once complete this will reflect the NHS approach to workforce planning. The executive team has approved work to date, however the workforce plan has still to be approved by the Board.</p> <p>There is a risk, given the demographics of the workforce, that without a workforce plan in place there could be a detrimental impact to the achievement of the IJB's strategy.</p>	<p>The IJB should progress workforce planning to identify and address potential skills gaps.</p>	<p>Management response: Agreed</p> <p>Responsible officer: Chief Finance Officer</p> <p>Implementation date: 31 March 2019</p>	<p>Implemented</p> <p>A workforce plan has been developed and approved.</p>



The contacts at KPMG in connection with this report are:

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Audit and Performance Systems Committee

Date of Meeting	28.05.2019
Report Title	Audited Final Accounts 2018/19
Report Number	HSCP.19.029
Lead Officer	Alex Stephen, Chief Finance Officer
Report Author Details	Alex Stephen, Chief Finance Officer
Consultation Checklist Completed	No
Appendices	<ul style="list-style-type: none"> a) Letter of Representation b) Audited Final Accounts 2018/19

1. Purpose of the Report

- 1.1. The Integration Joint Board reviewed and considered the unaudited final accounts at its meeting on the 30 April 2019;
- 1.2. The purpose of this report is to allow the Audit & Performance Systems (APS) Committee to consider and approve the audited final accounts for 2018/19;
- 1.3. The APS Committee has provision within its Terms of Reference 'to consider and approve annual financial accounts and related matters'.

2. Recommendations

It is recommended that the Audit & Performance Systems Committee:

- a) Consider and agree the Integration Joint Board's Unaudited Accounts for 2018/19, as attached at appendix A.
- b) Instruct Officers to submit the approved audited accounts to NHS Grampian and Aberdeen City Council.



Audit and Performance Systems Committee

- c) Instruct the Chief Finance Officer to sign the representation letter, as attached at appendix B.

3. Summary of Key Information

- 3.1. This is the third time that a full set of accounts have been prepared for the Integration Joint Board (IJB).
- 3.2. A great deal of work has been undertaken at a national level to agree on a proposed approach to the Integration Joint Board Accounts. Even then there will be changes in format and the disclosures contained in the accounts based on local circumstances. However, the major disclosures and format is based on a template commissioned by the Scottish Government with the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 3.3. The accounts are based the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and follow the format of the accounts used by local authorities as the IJB is recognised as a local government body, under Part VII of the Local Government (Scotland) Act 1973.
- 3.4. The audit of the accounts took place the week beginning the 13th of May 2019. The final audited accounts have been brought back to the APS Committee for approval at this meeting. During the audit process some minor changes were made to the accounts, largely presentational changes in relation to the management commentary.
- 3.5. Aberdeen City Council have embarked on a process to shorten the timescale for closing the final accounts. As the IJB accounts feed into the Aberdeen City Accounts, the IJB have been collated quicker than most other councils in Scotland. The intention is that the Aberdeen City Council accounts, including the group accounts, will be drafted, audited and approved by 30 June at the latest.
- 3.6. The accounts follow the following format:
- **Management Commentary** - Explains the performance over the last financial year and highlights some of the potential risks during the next financial year.
 - **Remuneration Note** – contains details of the pay and pension benefits accrued by the senior officers of the IJB during 2018/19.



Audit and Performance Systems Committee

- **Annual Governance Statement** – Highlights the Governance Framework in place and describes performance and improvements against the local code of governance. As was discussed at the last APS Committee, this now contains the assurances from Aberdeen City Council, NHS Grampian and the Internal Auditors.
 - **Financial Statements** – contains details of the financial transactions, including the Income & Expenditure Account, Balance Sheet and Movement in Reserves Statement.
 - **Notes to the Accounts** – including the financial policies used by the IJB over this period and the relevant disclosures required through the code.
- 3.7. As can be seen through the accounts at the end of the financial year the IJB has £5,578,337 in its useable reserve at the end of the financial year, which has largely been allocated by the IJB for specific integration and change projects.
- 4. Implications for IJB**
- 4.1. **Equalities** – There are no equalities implications arising from this report.
- 4.2. **Fairer Scotland Duty** – there are no direct implications for the Fairer Scotland Duty arising from this report.
- 4.3. **Financial** – the financial implications are highlighted throughout the report and in the appendix.
- 4.4. **Workforce** - there are no direct implications arising from this report.
- 4.5. **Legal** – publishing annual accounts is a requirement under the Local Authority Accounts (Scotland) Regulations 2014, which set out the statutory requirements on the IJB in respect to the annual accounts, their availability for public inspection and the consideration and signing by the IJB.
- 4.6. Other - NA
- 5. Links to ACHSCP Strategic Plan**
- 5.1. Sustainable finance is highlighted as one of the fundamental elements which we need to develop further in order to meet all our strategic



Audit and Performance Systems Committee

objectives. The audited annual accounts provide an independent opinion on the financial statements.

6. Management of Risk

6.1. Identified risks(s) and link to risks on strategic risk register:

- **Strategic Risk 2:** There is a risk of financial failure, that demand outstrips budget and IJB cannot deliver on priorities, statutory work, and project an overspend.
- **Strategic Risk 4:** There is a risk that relationship arrangements between the IJB and its partner organisations (Aberdeen City Council & NHS Grampian) are not managed to maximise the full potentials of integrated & collaborative working. This risk covers the arrangements between partner organisations in areas such as governance; corporate service; and performance.
- **Strategic Risk 6:** There is a risk of reputational damage to the IJB and its partner organisations resulting from complexity of function, delegation and delivery of services across health and social care.
- **Strategic Risk 7:** There is a risk of failure to deliver transformation at a pace or scale required by the demographic and financial pressures in the system.

6.2. How might the content of this report impact or mitigate these risks:

The audited accounts are an important document for the IJB, demonstrating financial performance over the year and are independently audited. Recommendations could be received from the external auditors which impact on any of the strategic risks highlighted above.



Audit and Performance Systems Committee

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29.05.2019

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Ref:
Your Ref:

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Aberdeen City Integration Joint Board (“the Board”), for the year ended 31 March 2019, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the state of the Board’s affairs as at 31 March 2019 and of the Board’s surplus or deficit for the financial year then ended;
- ii. whether the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19; and
- iii. whether the financial statements have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2015, and the Public Bodies (Joint Working) (Scotland) Act 2014.

These financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance sheet and notes, comprising a summary of significant accounting policies and other explanatory notes.

The Board confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Board confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Board has fulfilled its responsibilities, as set out in the terms of the audit engagement dated 31 May 2016, for the preparation of financial statements that:
 - i. give a true and fair view of the state of the Board's affairs as at the end of its financial year and of its surplus or deficit for that financial year;
 - ii. have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRSs"), as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19; and
 - iii. have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2015, and the Public Bodies (Joint Working) (Scotland) Act 2014.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Board in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

Information provided

4. The Board has provided you with:

- access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
- additional information that you have requested from the Board for the purpose of the audit; and
- unrestricted access to persons within the Board from whom you determined it necessary to obtain audit evidence.

5. All transactions have been recorded in the accounting records and are reflected in the financial statements.

6. The Board confirms the following:

- i) The Board has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Board has disclosed to you all information in relation to:

- a) Fraud or suspected fraud that it is aware of and that affects the Board and involves:
- management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
- b) allegations of fraud, or suspected fraud, affecting the Board's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Board acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Board acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

7. The Board has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
8. The Board has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
9. The Board has disclosed to you the identity of the Board's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in IAS 24.

10. The Board confirms that:

- a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Board's ability to continue as a going concern as required to provide a true and fair view.
- b) No events or conditions have been identified that may cast significant doubt on the ability of the Board to continue as a going concern.

This letter was agreed at the meeting of the Audit and Performance Systems Committee on 28 May 2019.

Yours faithfully,

Alex Stephen

Chief Finance Officer

Appendix to the Board Representation Letter of Aberdeen City Integration Joint Board: Definitions

Financial Statements

IAS 1.10 states that “a complete set of financial statements comprises:

- a statement of financial position as at the end of the period;
- a statement of profit or loss and other comprehensive income for the period;
- a statement of changes in equity for the period;
- a statement of cash flows for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information;
- comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and
- a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 40A-40D.

An entity may use titles for the statements other than those used in this Standard. For example, an entity may use the title ‘statement of comprehensive income’ instead of ‘statement of profit or loss and other comprehensive income’.”

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on

the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity’s assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity’s financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to “management” should be read as “management and, where appropriate, those charged with governance”.

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the “reporting entity”).

- a) A person or a close member of that person’s family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled, or jointly controlled by a person identified in (a).
 - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control or joint control of, or significant influence over, the reporting entity; and
- b) another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.



Aberdeen City Health & Social Care Partnership
A caring partnership



Aberdeen City Integration Joint Board

Audited Annual Accounts 2018/19



CONTENTS

Management Commentary	3
Statement of Responsibilities.....	17
Remuneration Report	19
Annual Governance Statement.....	23
Movement in Reserves Statement	35
Balance Sheet	36
Notes to the Financial Statements	37
1. Significant Accounting Policies	37
2. Critical Judgements and Estimation Uncertainty	39
3. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors	39
4. Expenditure and Income Analysis by Nature	41
5. Taxation and Non-Specific Grant Income.....	41
6. Debtors	42
7. Creditors	42
8. Usable Reserve: General Fund	42
9. Agency Income and Expenditure	43
10. Related Party Transactions.....	44
11. VAT	46
Glossary of Terms	47

Management Commentary

The Role and Remit of the Integration Joint Board (“IJB”)

The Integration Joint Board (IJB) was formed as a result of the Public Bodies (Joint Working) (Scotland) Act 2014. The Act provides a framework for the integration of adult community health and social care services. The strategic planning for, and/or delivery of, these services was previously the responsibility of NHS Grampian and Aberdeen City Council respectively and was delegated to the IJB with effect from 1 April 2016. Some services such as adult social care, GP services, district nursing, and allied health professionals are fully delegated and the IJB has responsibility both for the strategic planning and the delivery of these. Other services are Grampian-wide services which Aberdeen City IJB “host” on behalf of all three IJBs in the NHS Grampian area. There are also hospital-based services. Aberdeen City IJB has responsibility for the strategic planning of both hosted and hospital-based services

Hosted Services

Intermediate care of the elderly and specialist rehabilitation

Sexual health

Acute mental health and learning disability (decision pending)

Hospital-Based Services

Accident and emergency services provided in a hospital

Inpatient hospital services relating to the following branches of medicine:

- (a) general medicine
- (b) geriatric medicine
- (c) rehabilitation medicine
- (d) respiratory medicine
- (e) palliative care
- (f) mental health
- (g) psychiatry of learning disability

The policy ambition is to improve the quality and consistency of services to patients, carers, service users and their families; to provide seamless, joined-up, quality health and social care services in order to care for people in their own homes or a homely setting where it is safe to do so; and to ensure resources are used effectively and efficiently to deliver services that meet the increasing number of people with longer-term and often complex needs, many of whom are older. The IJB has governing oversight whilst Aberdeen City Health & Social Care Partnership (ACHSCP) has responsibility for the operational delivery of these services.

The IJB sets the direction of ACHSCP via the preparation and implementation of the Strategic Plan and seeks assurance on the management and delivery of the integrated services through appropriate scrutiny and performance monitoring, whilst ensuring the effective use of resources.

The IJB's Operations for the Year

Aberdeen is the third largest city in Scotland and provides Scotland with 15% of its Gross Added Value. Much of this value has come from the oil and gas industry. The oil price reduction in 2014 significantly affected the local economy and although there are now signs of recovery it is not anticipated that the extent of this will reach the level of the boom years.

Aberdeen has a population estimated in 2018 at 239,000. There is a mixture of affluent and deprived areas in Aberdeen with eight of its 37 data zones recognised as deprived in the Scottish Index of Multiple Deprivation rankings. In terms of health and social care, the demand for services continues to rise each year. The over-65s account for 15% of the total population of Aberdeen and this percentage is forecast to increase to 18% over the next 20 years.

Alongside this increase in demand there are rising costs and reduced funding available. The focus of this year has been to build on the progress delivered in the first year of operation and start to scale up the transformation projects previously approved. We need to pick up the pace of transformation and start to do things differently in order to be able to continue to deliver services and positive outcomes for the people who use them.

During the financial year 2018/19 the IJB committed to:

- fully implement the first phase of Acute Care @ Home (ACH) and start to develop plans for the second phase;
- approve a primary care improvement plan and test new delivery models linked to our primary care strategy;
- further establish and embrace locality working;
- implement and monitor the carers strategy;
- develop a public health strategy for Aberdeen City IJB;
- begin to evaluate the benefits of the Integrated Neighbourhood Care Aberdeen (INCA) teams and, providing the anticipated benefits are realised, develop a roll-out plan across the city; and
- further develop our evaluation programme for our transformation projects.

Good progress has been made in terms of delivery on these commitments.

The first phase of ACH has been implemented. The team holds an active caseload and attends the Geriatric Assessment Unit to facilitate early supported discharge / active recovery of patients. This currently happens on a city-wide basis. Phase one also saw the development of work with a care home in the South locality focused on hospital admission avoidance. Phase two of ACH will see the expansion of 'alternative to admission' work with the development of a city-wide Unscheduled Care approach delivered within all localities.

In June 2018 the IJB approved a Primary Care Improvement Plan (PCIP). The new General Medical Services (GMS) contract came into force in April 2018. Related to this new contract was the provision of transformation funding to help provide GPs with the capacity to undertake their roles as Expert Medical Generalist as set out in

the new contract. Each IJB was required to set out their aims and priorities for releasing GP capacity within a PCIP. A prioritised and phased implementation plan has been developed which will lead to full implementation by 2021. Year 1 priority areas were Musculoskeletal (MSK) Physiotherapy First Contact Practitioners, Chaplaincy Listening, Workflow Optimisation and Phlebotomy. April 2019 sees the start of year 2 of the PCIP and the start of a further raft of projects.

At their meeting in December 2018 the IJB approved a consultation on moving from four localities to three, which more closely align with those adopted by our community planning partners. Key benefits of this have been identified as: -

- providing greater joined-up focus to areas where people experience poorer outcomes;
- improving links with key partners which would enable closer alignment across operational service delivery; and to
- simplify locality arrangements to make it easier for members of the public to understand what locality their community falls under and therefore how to engage with services.

Locality planning is a key element of the Public Bodies (Joint Working) (Scotland) Act 2014 in relation to the planning and delivery of our integrated services. Localities are intended to be the engine room of integration, bringing together service users, carers, and health and care professionals to plan and help redesign services. During the consultation 79% of respondents agreed with the rationale of moving to three localities. An implementation plan for the move has been developed and the Chief Officer will take a report on implementation back to the IJB in 2019.

The Carers (Scotland) Act 2016 was implemented on 1 April 2018. In March 2018 the IJB approved a Carers Strategy and in May 2018 they approved Eligibility Criteria for Carers and the Adult Carers Support Planning process. In August 2018, the IJB approved Guidance on the Waiving of Charges for Carers and in December 2018 they approved a Short Breaks Services Statement, completing their obligations under the Act. The Carers Strategy Implementation Group continues to meet regularly to drive delivery of the Action Plan and an Annual Report on delivery will be presented to the IJB during 2019.

With the announcement of Public Health Reform in Scotland it was decided to put the development of a public health strategy for Aberdeen City IJB on hold. A new public health body – Public Health Scotland – has been created, bringing together Public Health Intelligence, Health Protection and Health Improvement expertise and knowledge into a single body. The new body will provide a clear vision and strong voice for the public's health in Scotland. It will be accountable to the Scottish Government and COSLA and will support, enable and provide challenge to the whole system of partners in the public, private and third sector. Once the reform arrangements are established the IJB will consider how best to deliver Public Health locally.

The full evaluation of INCA was completed in October 2018. The key findings from this project have been used to inform the development of a 'Stepped Care Approach' and also to develop the leadership team structure. Our learning has also been of

interest nationally, including a presentation at the Annual Quality and Safety in Healthcare Event and disseminating learning through Healthcare Improvement Scotland. Internationally, a research manuscript based on the findings from the initial evaluation has been accepted for publication in the prestigious AIMS Public Health Journal, with a second manuscript currently under review.

The evaluation programme of our transformation projects has extended across approximately 50 projects, providing support in developing, implementing and reporting on new initiatives. The evaluation team hosts monthly clinics with colleagues across the system to advise and support them in localised pieces of work, helping to improve the culture of evaluation. Two large-scale evaluations on INCA and the West Visits Unscheduled Care project have been completed. The findings have been shared nationally through a variety of conferences, including hosting a workshop at the Health and Social Care Scotland Conference. Internationally, two research manuscripts from evaluation activity have been accepted for publication in peer-reviewed journals, with an additional manuscript currently under-review. The evaluation activity to date has been endorsed for its rigour and quality, including at a recent Audit & Performance Systems Committee meeting. A further two large-scale evaluations on Acute Care @ Home and House of Care have recently been completed.

During 2018/19 ACHSCP experienced significant changes to the Executive Team, with three out of four members of that senior team moving on to work in other health and social care partnerships. A new Chief Officer was appointed in September 2018 and work has been undertaken to develop a new Leadership Team structure which, it is hoped, will support transformational activity and ensure the future sustainability of the partnership.

There are still issues in recruiting staff to qualified positions such as social workers, nurses, allied health professionals and general practitioners in the primary care setting.

The IJB's Position at 31 March 2019

The accounts for the year ended 31 March 2019 show a usable reserves position of £5,578,337 (£8,306,965 2017/18). This is largely due to additional funding received in 2016/17 from the Scottish Government which the IJB is using on integration and change projects. A significant element of these funds has been committed and used in 2018/19. All of the recurring funding has now been allocated and the IJB had agreed through its Medium-Term Financial Strategy to use these funds in 2017/18, hence the reduction. The IJB agreed a reserves strategy and during the 2017/18 budget process agreed to hold back as earmarked reserves £2.5 million as a risk fund. The reserves position was confirmed during the 2019/20 budget process.

The majority of public sector organisations are facing challenges balancing their budgets in a context of increasing demand and costs, while the funding available is reducing in real terms. The 2019/20 budget was agreed on 12 March 2019 and included £4.6 million of budget reductions.

The major risk in terms of funding to the Integration Joint Board is the level of funding delegated from the Council and NHS and whether this is sufficient to sustain future service delivery. There is also a risk of additional funding being ring-fenced for specific priorities and policies, which means introducing new projects and initiatives at a time when financial pressure is being faced on mainstream budgets.

The IJB has made arrangements with social care providers to allow the Scottish Living Wage to be paid in 2019/20. Local negotiations will be undertaken with social care providers to provide funding to pay the Scottish Living Wage of £9 per hour from 1 May 2019. This was possible due to additional funding being made available. Should additional funding not be available in future years, it will be difficult for the IJB to fund any future increases in the Scottish Living Wage given the financial pressures being experienced across its services and the level of increase in Scottish Living Wage year on year.

Demand is expected to continue to rise given the increase in the number of over-65s forecast. At the same time the complexity of the care required is increasing due to improvements in medicine and the increased average life expectancy evidenced over the last few decades. This is evidenced in 2018/19 by our increasing social care spend on clients with learning disabilities. Also, there are greater expectations being placed on our services by clients and this, along with expectations from our other stakeholders, continues to drive performance on targets such as waiting times.

The implementation of the carers strategy in 2019/20 will expose the IJB to financial risk, as although additional resources will be provided and the calculation of the adequacy of these resources has been assessed through a comprehensive process at a national level, there are still concerns over the potential level of spend. In particular the demand for these services, whilst influenced by the local eligibility criteria, may be difficult to predict and manage. However, the implementation of this strategy will support carers to help them maintain their own health and wellbeing, as well as that of the person they care for.

The new policy which is seeking to provide free personal care to under-65s could also have implications on the IJB's budget. Whilst additional funding for this has been provided, the demand for this funding for clients who are currently not known to social care services is unknown. The IJB senior management team will be monitoring demand for this budget closely over the next financial year.

The IJB's Strategy and Business Model

The IJB's Strategic Plan for 2016-19 set out how the National Health and Wellbeing Outcomes would be achieved. It confirmed our strategic priorities as:

- develop a consistent person-centred approach that promotes and protects the human rights of every individual and which enables our citizens to have opportunities to maintain their wellbeing and take a full and active role in their local community;
- support and improve the health, wellbeing and quality of life of our local population;

- promote and support self-management and independence for people for as long as reasonably possible;
- value and support those who are unpaid carers to become equal partners in the planning and delivery of services, to look after their own health and to have a quality of life outside the caring role if so desired;
- contribute to a reduction in health inequalities and the inequalities in the wider social conditions that affect our health and wellbeing;
- strengthen existing community assets and resources that can help local people with their needs as they perceive them and make it easier for people to contribute to helping others in their communities;
- support staff to deliver high quality services that have a positive impact on personal experiences and outcomes.

During 2018/19 work was undertaken to refresh the IJB's Strategic Plan. Following an extensive consultation process with a wide range of stakeholders, the Strategic Plan 2019-22 was approved by the IJB in March 2019. The refreshed plan identifies five new Strategic Aims – Prevention, Resilience, Personalisation, Connections and Communities. Each of these aims has a number of commitments and priorities identified, with the priorities being spread over the three-year lifetime of the plan.

Delivery of the Strategic Plan is underpinned by a number of Enablers – Empowered Staff, Principled Commissioning, Digital Transformation, Sustainable Finance and Modern and Adaptable Infrastructure.

During the 2019/20 the IJB will seek to: -

- deliver the commitments and Year 1 priorities of the Strategic Plan;
- implement the three-locality model, developing closer links with our community planning partners;
- embed transformational activity into mainstream service delivery;
- undertake a number of strategic commissioning projects that will transform service delivery, introduce co-design and co-production with our third and independent provider partners, and help develop a sustainable market in Aberdeen;
- consolidate the Leadership Team structure;
- continue to focus on delivering the Medium-Term Financial Framework;
- continue to engage with the public to provide information on our services and why are we seeking to transform.

Key Risks and Uncertainties

The key strategic risks (High risks), as contained in the Strategic Risk Register, along with an assessment of level of risk facing the IJB, are as indicated below.

The Strategic Risk Register is monitored and updated frequently by the IJB Leadership Team, who in turn report to the IJB and Audit & Performance Systems Committee and the IJB on a regular basis.

The IJB held a workshop in April 2018 on the Strategic Risk Register and the Board's Risk Appetite. As a result of the workshop, the revisions to both the Register and the Appetite Statement were submitted to the Audit & Performance Systems Committee for approval.

The committee at its meeting on the 11 September 2018 approved the revised Strategic Risk Register and Risk Appetite Statement and agreed to monitor three risks within the Strategic Risk Register on an ongoing basis at the committee up to the next formal review of the Register by the IJB.

At its meeting on 12 February 2019, the committee monitored strategic risks 1-3 and provided comments which the Risk Owners have considered as part of the ongoing monitoring of the risks. The risks that are classed as **High** risk on the Strategic Risk Register are detailed below.

1. There is a risk that there is insufficient capacity in the market (or appropriate infrastructure in-house) to fulfil the IJB's duties as outlined in the integration scheme. This includes commissioned services and general medical services.

Mitigating Actions -

- The IJB's commissioning model has an influence on creating capacity and capability to manage and facilitate the market
 - Development of provider forum and peer mentorship to support relationship and market management
 - Risk fund set aside with transformation funding
 - Additional Scottish Government funding toward the Living Wage and Fair Working Practices have been agreed and applied by the IJB
 - Lessons learned during a recent experience of managing a residential home; GP practice closure and care provider should market failure occur, and the transition of a significant number of care packages, and continued strengthening relationships and partnership working
 - Strategic Commissioning Implementation & Market Facilitation Plan will be reviewed in March 2019
 - Approved Reimaging Primary Care Vision and currently implementing the Primary Care Improvement Plan
 - Implementation of the new GMS Contract
2. There is a risk of financial failure, that demand outstrips budget and IJB cannot deliver on priorities, statutory work, and projects an overspend.

Mitigating Actions-

- Financial information is reported regularly to the Audit & Performance Systems Committee, the Integration Joint Board and the Leadership Team.
- Approved reserves strategy, including risk fund.
- Robust financial monitoring and budget setting procedures including regular budget monitoring & budget meeting with budget holders.
- Medium-Term Financial Strategy was reviewed and approved at the IJB on 12th March 2019. This includes a predicted outlook for 10 years

- Audit & Performance Systems receives regular updates on transformation programme & spend.
- The Leadership Team are committed to driving out efficiencies, encouraging self-management and moving forward the prevention agenda to help manage future demand for services. Lean Six Sigma methodology is being applied to carry out process improvements.

3. There is a risk that the outcomes expected from hosted services are not delivered and that the IJB does not identify non-performance through its systems. This risk relates to services that the Aberdeen IJB hosts on behalf of Moray and Aberdeenshire, and those hosted by those IJBs and delivered on behalf of Aberdeen City.

Mitigating Actions-

- This is discussed regularly by the three North East Chief Officers
- Regular discussion regarding budget with relevant finance colleagues.
- Chief Officers should begin to consider the disaggregation of hosted services

4. Failure to deliver transformation at a pace or scale required by the demographic and financial pressures in the system.

Mitigating Actions-

- Programme management approach being taken across whole of the transformation programme
- Transformation team in place and all trained in Managing Successful Programmes methodology
- Regular reporting to Executive Programme Board and Portfolio Programme Boards
- Regular reporting to Audit and Performance Systems Committee and Integration Joint Board
- Six Sigma methodology being used to support delivery of strategic plan, medium term financial plan and to ensure sustainability. Evaluation process in place to track delivery of change and efficiencies
- A number of plans and frameworks have been developed to underpin our transformation activity across our wider system including: Reimagining Primary and Community Care Vision, Transformation Plan, Primary Care Improvement Plan, Action 15 Plan.

5. There is a risk that the IJB does not maximise the opportunities offered by locality working.

Mitigating Actions-

- Continued broad engagement on locality working and requested development of comprehensive communication plan

6. There is a risk of failure to recruit and that workforce planning across the partnership is not sophisticated enough to maintain future service delivery.

Mitigating Actions-

- Active engagement with City and Shire schools ongoing to raise ACHSCP profile.
- Use commissioning to encourage training of staff
- Workforce plan – approved at IJB March 2019.
- Established a working group to lead on further development on workforce planning.
- Increased emphasis on health/wellbeing of staff and communication with staff + greater promotion of flexible working

7. There is a risk that ACHSCP is not sufficiently prepared to deal with the impacts of a potential EU exit on areas of our business, including affecting the available workforce and supply chain.

Mitigating Actions-

- Mitigating actions have been developed on a national and local level through Scottish Government guidance and the ACC and NHSG EU exit steering groups respectively. These actions are linked to the Scottish Planning Assumptions (based on the reasonable worst-case scenario-no deal).
- The assumptions are:
 - i. Travel, Freight and Borders
 - ii. Disruption of Services
 - iii. Information and Data Sharing
 - iv. Demonstrations and Disorder
 - v. Remote and Rural Scotland
 - vi. Scottish Workforce
- As the Partnership does not directly employ staff, the Chief Officer will work closely with partners to ensure that as implications become clear the Partnership are able to best represent and meet the needs of all staff.
- The Partnership's Business Continuity Planning process is established which will identify key services to prioritise in any contingency event.
- Review ALEO contingency plans. Request evidence of risk assessment and mitigation from ALEOS for assurance of ability to deliver against contract. This is being considered and scrutinised through the ALEO Hub governance arrangements.
- Survey of providers asking key questions on preparedness.
- A joint City and Shire Care Home providers workshop was held in May 2019 to discuss with providers their preparedness for any EU exit. The outcomes will be collated and communicated across the sector.

Future challenges are to achieve financial savings from mainstream services in order to sustain the financial viability of the IJB. Also, it will be challenging to transform service delivery while trying to maintain the services required by our service users.

Analysis of the Financial Statements

The accounts show usable reserves of £5,578,337 at 31 March 2019 (£8,306,965 at 31 March 2018). This is largely due to unspent integration and change funds provided by the Scottish Government to the IJB via NHS Grampian. This level of reserve had been anticipated throughout the year in the budget monitoring reports.

Prescribing continues to be a major financial risk for the IJB. In 2017/18 an overspend on the prescribing budget of £1,616,080 was incurred. This was largely due to a discount anticipated in one medicine not materialising at the forecast levels and the price of some drugs substantially increasing due to short-supply issues. For 2018/19 the prescribing budget reported an underspend of £414,000, due to a renegotiation in the costs of some medicines. Work continues with our colleagues in pharmacy to reduce spend on prescribing and a regional approach is being developed across the North East supported by NHS Grampian.

This financial year the IJB has experienced significant cost increase on its social care spend for clients with learning disabilities. There are a number of reasons for this movement including suppliers seeking above-inflation increases, the number of clients increasing, the closure of wards in Royal Cornhill Hospital, the complexity of the clients being looked after increasing and more clients being sent to services out of area due to the specialist nature of their disability. Work is being undertaken by the IJB Senior Leadership Team to review the spend and determine ways in which this can be reduced in future years.

Hosted services continue to experience financial pressure as the governance and financial processes between the three Grampian IJBs are still being developed. As a result of this several budget legacy, funding issues continued to be incurred and this was compounded as the additional budget was not provided for the pay award. Workshops have been held with the three IJBs during this financial year to start developing and refining the governance and financial processes.

Budgets for large hospitals are managed by NHS Grampian. The IJB has a notional budget representing the consumption of these services by residents. The IJB is responsible for the strategic planning for these services as a result of the legislation which established the IJBs.

The services covered include:

- accident and emergency services at Aberdeen Royal Infirmary and Dr Gray's - inpatient & outpatient;
- inpatient hospital services relating to general medicine, geriatric medicine, rehabilitation medicine, respiratory medicine, learning disabilities, old age psychiatry, general psychiatry;
- palliative care services provided at Roxburghe House, Aberdeen, and The Oaks, Elgin.

One of the key priorities of the IJB and reasons why the IJBs were established is to improve pathways and reduce the use of these services. During the financial year NHS Grampian advised that the Aberdeen City IJB's use of these services had increased slightly as highlighted below.

Set Aside	2016/17	2017/18	2018/19
Budget	£46,732,000	£41,344,000	£46,416,000
Days used	152,498	142,349	143,055

Aberdeen City IJB used 706 days more of the hospital services than in 2017/18. The budget has increased due to movements in the price per bed days for the services. The IJB Senior Leadership Team are in the process of reviewing this data to see what actions can be taken to reduce hospital usage.

Cllr Sarah Duncan
 IJB Chair
 28 May 2019



Sandra Ross
 Chief Officer
 28 May 2019



Alex Stephen
 Chief Finance Officer
 28 May 2019



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

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

Statement of Responsibilities

Responsibilities of the Integration Joint Board

The Integration Joint Board is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the board has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973); in this authority, that officer is the chief financial officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland act 2003).
- approve the Annual Accounts.

I confirm that these Annual Accounts were approved for signature.

Signed on behalf of the Aberdeen City Integration Joint Board

Sarah Duncan
IJB Chair
28 May 2019

Responsibilities of the Chief Financial Officer

The chief financial officer is responsible for the preparation of the IJB's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts, the chief financial officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation; and
- complied with the local authority Code (in so far as it is compatible with legislation).

The chief financial officer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the Aberdeen City Integration Joint Board as at 31 March 2019 and the transactions for the year then ended.

Alex Stephen
Chief Finance Officer
28 May 2019

Remuneration Report

Introduction

This Remuneration Report is provided in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It discloses information relating to the remuneration and pension benefits of specified IJB members and staff.

The information in the tables below is subject to external audit. The explanatory text in the Remuneration Report is reviewed by the external auditor to ensure it is consistent with the financial statements.

Remuneration: IJB Chair and Vice-Chair

The voting members of the IJB are appointed through nomination by Aberdeen City Council and NHS Grampian. The positions of IJB Chair and Vice-Chair alternate between a Councillor and a Health Board representative every two years.

The IJB does not provide any additional remuneration to the Chair, Vice-Chair or any other board members relating to their role on the IJB. The IJB does not reimburse the relevant partner organisations for any voting board member costs borne by the partner. The details of the Chair and Vice-Chair appointments and any taxable expenses paid by the IJB are shown below.

Taxable Expenses 2017/18 £	Name	Post(s) Held	Nominated by	Taxable Expenses 2018/19 £
Nil	Jonathan Passmore	Chair 01/04/17 to 31/12/18 Vice Chair 01/01/19 to 26/3/19	NHS Grampian	Nil
Nil	Cllr Sarah Duncan	Chair 01/01/19 to 31/03/19 Vice Chair 18/05/17 to 31/12/18	Aberdeen City Council	Nil
Nil	Luan Grugeon	Vice-Chair 27/03/19 to 31/03/19	NHS Grampian	Nil
Nil	Cllr Len Ironside CBE	Vice-Chair 01/04/17 to 03/05/17	Aberdeen City Council	Nil
Nil	Total			Nil

The IJB does not have responsibilities, either in the current year or in future years, for funding any pension entitlements of voting IJB members. Therefore, no pension rights disclosures are provided for the Chair or Vice-Chair. From 3 May 2017 to 18 May 2017 there was no vice-chair due to the period of time between the local government elections and the statutory meeting of the Council.

Remuneration: Officers of the IJB

The IJB does not directly employ any staff in its own right, however specific post-holding officers are non-voting members of the Board.

Chief Officer

Under section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014, a Chief Officer for the IJB must be appointed and the employing partner must formally second the officer to the IJB. The employment contract for the Chief Officer will adhere to the legislative and regulatory framework of the employing partner organisation. The remuneration terms of the Chief Officer's employment are approved by the IJB.

Other Officers

No other staff are appointed by the IJB under a similar legal regime. Other non-voting board members who meet the criteria for disclosure are included in the disclosures below.

Total 2017/18 £	Senior Employees	Salary, Fees & Allowances £	Taxable Expenses £	Total 2018/19 £
112,979	Judith Proctor Chief Officer 01/02/16 to 27/04/18 (FYE £112,383)	9,365	-	9,365
-	Sally Shaw Chief Officer 01/04/18 to 31/08/18	41,359	-	41,359
-	Sandra Ross Chief Officer 3/09/18 to 31/03/19 (FYE £105,379)	61,115	-	61,115
68,806	Alex Stephen Chief Finance Officer 04/07/16 to 31/03/19	71,214	-	71,214
181,785	Total	183,053	-	183,053

FYE = Full Year Equivalent

In respect of officers' pension benefits the statutory liability for any future contributions to be made rests with the relevant employing partner organisation. On

this basis there is no pensions liability reflected on the IJB balance sheet for the Chief Officer or any other officers.

The IJB however has responsibility for funding the employer contributions for the current year in respect of the officer time spent on fulfilling the responsibilities of their role on the IJB. The following table shows the IJB's funding during the year to support officers' pension benefits. The table also shows the total value of accrued pension benefits which may include benefits earned in other employment positions and from each officer's own contributions.

Officer Name	Responsibility	Pension as at 31/3/2019 £000	Pension Difference from 31/3/2018 £000	Lump Sum as at 31/3/2019 £000	Lump Sum Difference from 31/3/2018 £000	Pension Contribution 2018/2019 £	Pension Contribution 2017/2018 £
Judith Proctor	Chief Officer 01/02/2016 – 27/04/2018	34	0	82	0	1,395	16,745
Sally Shaw	Chief Officer 01/04/18 - 31/08/18	-	-	-	-	7,982	-
Sandra Ross	Chief Officer 3/09/18 to 31/03/19	1	1	-	-	9,106	-
Alex Stephen	Chief Finance Officer 01/07/2016 – 31/03/2019	24	2	33	1	13,744	13,280
						32,227	30,025

The IJB does not have its own pension scheme, however, details of the North East of Scotland Pension scheme can be found in Aberdeen City Council's accounts and details of the NHS pension scheme can be found NHS Grampian's accounts. Both documents are available on their respective websites.

Disclosure by Pay Bands

As required by the regulations, the following table shows the number of persons whose remuneration for the year was £50,000 or above, in bands of £5,000.

Number of Employees in Band -2017/18	Remuneration Band	Number of Employees in Band - 2018/19
0	£60,000 - £64,999	1
1	£65,000 - £69,999	0
0	£70,000 - £74,999	1
1	£110,000 - £114,999	0

Exit Packages

No exit packages were paid to IJB staff during this period or the previous period.

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Sandra Ross
Chief Officer

Sarah Duncan
Chair

Annual Governance Statement

Scope of Responsibility

The Integration Joint Board (“IJB”) is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, safeguarding public funds and assets and making arrangements to secure best value in their use.

In discharging this responsibility, the Chief Officer has put in place arrangements for governance which include the system of internal control. This is designed to manage risk to a reasonable level but cannot eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable but not absolute assurance of effectiveness.

The IJB has a reliance on the Aberdeen City Council and NHS Grampian systems of internal control, which support compliance with both organisations’ policies and promote achievement of each organisation’s aims and objectives, as well as those of the IJB.

The result of this is a situation where assurances are required on the effectiveness of the governance arrangements from the three partners. This means that a significant failure in the internal control environment of one of the three partners may require to be disclosed in the accounts of all three partners and not just the IJB and the partner where the issue occurred.

The Governance Framework

In this complex environment of circular assurances, it is important that the IJB has its own local code of corporate governance and regularly reviews performance against the governance principles included within this code. The IJB has developed an Assurance Framework in conjunction with the Good Governance Institute which provides readers with an understanding of the governance framework and the assurances that can be obtained from it.

The IJB agreed on 11 April 2017 at the Audit & Performance Systems Committee to adopt a local code of corporate governance which was built around the principles identified in the CIPFA\SOLACE¹ Delivering Good Governance in Local Government Framework (2016 Edition). The local code of governance is reviewed annually and reported to the same audit committee where the annual governance statement is approved. This code provides a list of documents\activities from an IJB, NHS Grampian and Aberdeen City Council perspective which provide assurance on the governance framework.

At the same meeting a review was undertaken by the Chief Finance Officer evaluating the IJB’s governance environment against the governance principles detailed in the CIPFA document titled the ‘The role of the chief financial officer in local government’.

Whilst both these documents were specifically written for local government the governance principles can be used by other public sector organisations. Also, the IJB is defined as a local government organisation per the Local Government (Scotland)

¹ CIPFA - The Chartered Institute of Public Finance and Accountancy

SOLACE – The Society of Local Authority Chief Executives

Act 1973 and Aberdeen City Council has also adopted the governance principles from the delivering good governance document in its own local code of corporate governance.

Against each of the seven governance principles adopted by the IJB there are key documents, activities, policies and arrangements which help address these. For the IJB some of these documents belong to NHS Grampian and Aberdeen City Council given their operational delivery role and the fact that the staff have remained employed by the partner bodies.

The seven governance principles identified in the local code of corporate governance and recommended in the CIPFA/SOLACE Framework are identified below, along with narratives evidencing compliance with the principles.

Principle 1 – Behaving with integrity, demonstrating strong commitment to ethical values and representing the rule of law,

Integrity: The following values of the IJB are indicated in the Strategic Plan:

- caring
- person-centred
- enabling

These values form part of the decision-making process of the IJB and are evident in the actions and decisions made by the Board. The IJB has appointed a Standards Officer who is responsible, amongst other things, for the maintaining of Registers of Interests, Registers of Gifts and Hospitality and training on the Model Code of Conduct for Members of Devolved Public Bodies.

Ethical Values: The IJB has agreed in principle to adopt the Unison Ethical Care Charter and has provided funding to care providers to allow the Scottish Living Wage to be paid.

Rule of Law: A comprehensive consultation process has been developed with officers from Aberdeen City Council and NHS Grampian to ensure that decisions and reports comply with legislation. A member of the Council's Governance Team attends the IJB to ensure that decisions taken are in line with any legislative requirements. The IJB has appointed a Chief Finance Officer to ensure that the accounts and finances are in line with the statutory accounting environment. The IJB has standing orders and an integration scheme which provide information on where decisions can be made. Two sub committees have been created and each has its own terms of reference.

Improvement activities undertaken during the year: The standing orders of the IJB have been reviewed and updated and were approved on 26 April 2018. The terms of reference for the two sub committees were reviewed and update at the same IJB meeting. An IJB Data Protection Officer was agreed on 22 May 2018. The activities of the Audit & Performance Systems Committee were reviewed on 11 September 2018 against the terms of reference for this committee to ensure there were no assurance gaps over the course of a year. The IJB has been working closely with both Aberdeen City Council & NHS Grampian to ensure that it meets the requirements of the EU

General Data Protection Regulation and that members of staff are aware of the implications.

Principle 2 – Ensuring openness and comprehensive stakeholder engagement,

Openness: The IJB is a public board where members of the public and press can attend and agendas, reports and minutes are available publicly to review. Therefore, members of the public can assess whether they believe that decisions are being taken in the public interest. The Audit & Performance Systems Committee is also a public meeting. The IJB has its own complaints handling procedure which complies with Scottish Public Services Ombudsman's guidance.

Stakeholder Engagement: The non-voting membership of the IJB is set out in the Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014. This comprises six professional members and a minimum of four stakeholder representatives for each of the following groups - staff, third sector bodies, service users and carers. The IJB agreed a budget protocol on the 7 March 2017 which sought to formalise stakeholder engagement with the partner organisations around the budget process. Care providers are very much thought of as a key part of the partnership and invited to the majority of the events the IJB hosts. The IJB has established the Aberdeen City Joint Staff Forum, which includes representation from the trade unions and the staff partnership, as a forum for workforce issues affecting social care and health staff.

Improvement activities undertaken during the year: The IJB approved a new Strategic Plan covering the next three financial years on 26 March 2019. This plan and a decision to alter the number of localities were widely consulted on with our partners, the third sector and residents. The duty of candour guidance was rolled out to all staff and a workshop was held with the IJB to explain the implications. Some of our improvement projects, particularly those with a public health element have been undertaken using co-production principles which includes members of the public in the project. There have been good examples of pro-active engagement with families and media, particularly in relation to both the GP Practices where new arrangements were required and Care Homes which have closed or are in the process of closing.

Principle 3 – Defining outcomes in terms of sustainable economic, social and environmental benefits,

Economic: The IJB has agreed a Medium Term Financial Framework which is updated annually. The transformation programme and IJB report format specifically highlight the economic impact of the decisions being taken on current and future financial years. Work has been undertaken to establish the financial and operational benefits of the major transformation projects.

Social: The IJB has published a revised Strategic Plan which identifies outcomes and the direction of travel over the next few years. The majority of outcomes are closely linked to how social care and health services will be delivered and improved over the life of the Strategic Plan.

Environmental: A public bodies climate change duties report is collated and submitted annually on behalf of the IJB.

Improvement activities undertaken during the year: Comprehensive evaluations have been completed for the West Visiting Unscheduled Care Service and the Integrated Neighbourhood Care Aberdeen (INCA) projects. Also, the partnership has adopted the lean 6 sigma continuous improvement methodology, has trained relevant staff and is undertaking six improvement projects.

Principle 4 - Determining the interventions necessary to optimise the achievement of intended outcomes,

Interventions: A transformation programme has been developed which will help support the delivery of the Strategic Plan. This programme is monitored on a regular basis and information on progress is received by the IJB and the Audit & Performance Systems Committee for scrutiny and challenge. Decisions to procure services costing over £50,000 are taken by the IJB in so far as they relate to a Direction made to the NHS or Aberdeen City Council in respect of a delegated function and each report contains a section on risk. The Transformation Board monitors any new projects ensuring that an option appraisal and project plans are developed in line with best practice. The benefits, both financial and non-financial, are highlighted and contained in the project plans.

Improvement activities undertaken during the year: All of the Leadership Team have received their objectives which directly link to the Chief Officer's objectives and the new Strategic Plan.

Future Developments: Align the transformation programme fully to the new Strategic Plan and seek to mainstream existing projects, focusing on strategic performance indicators to measure impact and demonstrate meaningful change. The new plan will require greater focus on prevention, early intervention and addressing health inequalities which will have an impact on improving outcomes.

Principle 5 – Developing the entity's capacity, including the capability of its leadership and the individuals within it,

Entity's Capacity: A workforce plan has been developed for the IJB covering health and social care services. Capacity is further developed and scrutinised by having stakeholders out with those employed by the IJB, ACC or NHS Grampian around the IJB and many of its working groups.

Leadership: The IJB has set itself goals and has evaluated their performance against these goals. An organisational development plan has been developed and agreed which has a focus on leadership. A conference was held by the partnership during the year focussing on social care and health which was well attended.

Individuals: An induction programme has been established for the IJB which complements the induction programmes of NHS Grampian and Aberdeen City Council. Monthly newsletters are sent to all staff and an awards ceremony was held to celebrate achievements during the year. Staff surveys have been undertaken for

Council staff and the 'imatter' survey is undertaken annually. The outputs from these surveys are discussed by the IJB Executive Team and any necessary improvement actions implemented.

Improvement activities undertaken during the year: The 'imatter' survey was undertaken and teams have prepared their action plans on the basis of the information included. The iMatters survey indicated that leadership visibility could be improved, and a further survey was conducted to establish what 'level' of leadership staff were referring to. A new IJB Workforce Plan was approved on the 26 March 2019. The partnership participated in a career ready programme which seeks to develop the skills of young people, so they are ready for their future career.

Future Developments: Further roll out of the career ready programme and establish modern apprenticeships within services. Implement a new leadership team structure to allow Strategic Plan outcomes to be achieved.

Principle 6 - Managing risk and performance through robust internal control and strong public financial management,

Risk: Two risk registers have been developed. The first is an IJB Strategic Risk Register and this documents the risk that the IJB may face in delivery of the Strategic Plan. The second register covers operational risks and is a summary of the departmental operational risk registers. Both the Strategic Risk Register is updated frequently and reported to the Audit & Performance Systems Committee and the IJB.

Performance: A performance management framework has been developed for the IJB and is reported frequently to the Audit & Performance Systems Committee and the IJB. Performance is also monitored by bi-monthly city sector performance review meetings, where the Chief Executives and senior finance officers from NHS Grampian and Aberdeen City Council discuss performance and finance in a structured meeting with the Chief Officer and Chief Finance Officer. Performance management information is provided at a national NHS level and also contained within the statutory performance indicators reported by the Council. An annual performance report is required as defined in the legislation (Public Bodies (Joint Working) (Scotland) Act 2014) underpinning the creation of the IJB.

Internal Controls: The internal control environment is largely delivered by the partner organisations given their operational remit. However, internal controls are evidenced in the IJB integration scheme and financial regulations. A review of the IJB internal controls is undertaken annually by the Chief Internal Auditor and his opinion on the adequacy of the internal control environment is highlighted below.

Financial Management: The IJB has received quarterly reports on the financial position as indicated in the integration scheme. All IJB reports contain a financial implications section advising the IJB on the budget implications of agreeing the recommendations of the report.

Improvement activities undertaken during the year: A Medium Term Financial Framework has been prepared and agreed by the IJB. The strategic risk register and

risk appetite statement were reviewed by the IJB in a workshop and subsequently formally approved.

Future Developments: The Audit & Performance Systems Committee has committed to undertake a 'deep dive' on the strategic risks through the next few meetings. The Clinical & Care Governance Committee is undertaking a robust review, including looking at the data submitted to the committee to ensure alignment with broader performance frameworks.

Principle 7 – Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Transparency: The IJB meetings are held in public and the agendas, reports and minutes are available for the public to inspect. Public attendance is welcome at the IJB meetings. The Audit & Performance Systems committee is held in public. The IJB has developed a publication scheme as required under the Freedom of Information (Scotland) Act 2002.

Reporting: The annual accounts management commentary section will have a focus on both financial and service performance over the last financial year.

Audit: The 2017/18 accounts received an unqualified audit opinion. The Audit & Performance Systems Committee has received an internal audit plan from the Chief Internal Auditor and internal audit reports over the last financial year.

Improvement activities undertaken during the year: Work has been undertaken to review the clinical care governance arrangements in the partnership and the role of the Clinical Care Governance Committee in this process.

Future Developments: Implement the results from the review of the clinical care governance arrangements and consider whether the Clinical Care Governance Committee should be a public meeting. A review is being undertaken of the role of the North East Partnership which should strengthen governance arrangements for hosted and large hospital services.

Review of Effectiveness

The IJB has responsibility for conducting, at least annually, a review of the effectiveness of the governance arrangements, including the system of internal control. The review is informed by the work of the IJB Leadership Team (who have responsibility for the development and maintenance of the internal control framework environment), the work of the internal auditor and the Chief Internal Auditor's annual report, and reports from the external auditor and other review agencies and inspectorates.

The Chief Internal Auditor has reviewed the IJB's internal control framework and in his opinion reasonable assurance can be placed upon the adequacy and effectiveness of the Board's framework of governance, risk management and control in the year to 31 March 2019.

Whilst recommendations for improvement were identified in audits that have been completed, as reported to the Audit & Performance Systems Committee, areas of good practice, improvement, and procedural compliance were also identified.

The external auditor's 2017/18 annual report had one formal recommendation for the Leadership Team in relation to establishing a workforce plan to identify and address potential skills gaps. The partnership developed an IJB Workforce Plan which was approved by the IJB on 26 March 2019 to address this recommendation.

The governance framework was reviewed by the IJB Leadership Team against the governance principles identified in the CIPFA Role of the Chief Finance Officer Framework. The Audit & Performance Systems Committee was updated on progress with the implementation of improvement actions identified on the 30 April 2019.

The local code of corporate governance was agreed by the Audit & Performance Systems Committee on 11 April 2017 and progress against the seven principles is detailed above. At Audit & Performance Systems Committee on 10 April 2018 and the 30 April 2019 an update was provided on the sources of assurance contained in the local code of governance.

The work undertaken against the improvement actions highlighted in the 2017/18 annual governance statement is detailed in the improvement activities undertaken during the year sections detailed above.

It is recognised that the IJB's governance framework is evolving as it matures, and that future development work is required to provide further assurance against the governance principles. A summarised list of the 2019/20 improvement actions is shown directly below:

	Area for Improvement and Outcome to Be Achieved	Improvement Action Agreed	Responsible Party	Completion Date
1.	Transformation Programme	Align to the new Strategic Plan	Transformation Lead	31 March 2020
2.	Workforce Development	Roll out career ready and modern apprenticeships	Business Manager	31 March 2020
3.	Clinical Care Governance	Review and implement new arrangements	Lead AHP	31 March 2020
4.	Leadership Team	Implement new structure	Chief Officer	31 March 2020

In addition, the review of the effectiveness of the governance arrangements and systems of internal control within Aberdeen City Council and NHS Grampian places reliance upon the individual bodies' management assurances in relation to the soundness of their systems of internal control.

Accordingly, the following notes support the reliance that is placed upon those systems:

i) Aberdeen City Council's governance framework

Aberdeen City Council's governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives as set out in the Strategic Business Plan 2018/19, where the roles of governance, performance management and risk management are recognised as crucial in improving stewardship and how we do business. Reviewing our governance activity enables us to consider whether those objectives have led to the delivery of appropriate, cost effective services to the citizens of Aberdeen.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The Audit, Risk & Scrutiny Committee has a key role in this, and an annual report of its activities will be approved by the committee and referred to Council for its consideration. This demonstrates the Council's governance arrangements through improved transparency, understanding and challenge of the activity and outcomes from the Audit, Risk & Scrutiny Committee.

The Council has an approved Local Code of Corporate Governance which sets out our commitment to the seven principles recommended in the CIPFA / SOLACE Framework 2016, by citing the primary sources of assurance which demonstrate the effectiveness of the systems of internal control.

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| Principle A | Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law |
| Principle B | Ensuring openness and comprehensive stakeholder engagement |
| Principle C | Defining outcomes in terms of sustainable economic, social and environmental benefits |
| Principle D | Determining the interventions necessary to optimise the achievement of the intended outcomes |
| Principle E | Developing the entity's capacity, including the capability of its leadership and the individuals within it |
| Principle F | Managing risk and performance through robust internal control and strong public financial management |

Principle G Implementing good practices in transparency, reporting and audit, to deliver effective accountability

The Code, approved by Council on 15 March 2017, can be viewed on the Council's website.

In summary the Council has undertaken a self-evaluation of its Local Code of Corporate Governance and determined that there is strong compliance with the Code and that governance processes, procedures, performance reporting and engagement material are well managed by the organisation. The Council has a clear approach to the decision-making process and seeks to engage with those in the community and with partners and staff.

The Chief Executive and Co-Leaders of the Council have certified that reasonable assurance can be placed upon the adequacy and effectiveness of Aberdeen City Council's systems of governance and that the annual review demonstrates sufficient evidence that the Code of Corporate Governance operates effectively. Furthermore, the Council proposes over the coming year to take steps to further enhance governance arrangements and is satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

ii) NHS Grampian governance framework

NHS Grampian is required to operate within the aspects of the Scottish Public Finance Manual (SPFM) which are set out within the guidance issued to Chief Executives and more generally to all Board members by the Scottish Government Health and Social Care Directorates as being applicable to NHS Boards. The SPFM is issued by Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. The SPFM sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for efficiency, effectiveness and economy, and promotes good practice and high standards of propriety.

As Accountable Officer, the Chief Executive is responsible for maintaining an adequate and effective system of internal control that identifies, prioritises and manages the principal risks facing the organisation, promotes achievement of the organisation's aims and objectives and supports compliance with the organisation's policies and safeguarding public funds.

The Board continually monitors and reviews the effectiveness of the system of internal control with a specific focus on the delivery of safe and effective patient care, achievement of national and local targets and demonstrating best value and the efficient use of resources. Key elements of the system of internal control include:

- A Board which meets regularly to discharge its governance responsibilities, set the strategic direction for the organisation and approve decisions in line with the

Scheme of Delegation. The Board comprises the Executive Directors and Non-Executive members. The Board activity is open to public scrutiny with minutes of meetings publicly available;

- The Board receives regular reports on Healthcare Associated Infection and reducing infection as well as ensuring that health and safety, cleanliness and good clinical practice are high priorities;
- Scheme of Delegation, Standing Orders and Standing Financial Instructions approved by the Board are subject to regular review to assess whether they are relevant and fully reflective of both best practice and mandatory requirements;
- Mature and organisation wide risk management arrangements built on localised risk registers and processes which ensure, as appropriate, escalation of significant instances of non-compliance with applicable laws and regulations;
- Dedicated full time members of staff for key statutory compliance functions including information governance, health and safety, fire and asbestos, tasked with ensuring they are up to date with all relevant legislation and are responsible for co-ordinating management action in these areas.
- A focus on best value and commitment to ensuring that resources are used efficiently, effectively and economically taking into consideration equal opportunities and sustainable development requirements;
- Consideration by the Board of regular reports from the chairs of the performance governance, patient focus and public involvement, staff governance, clinical governance, endowment and audit committees concerning any significant matters on governance, risk and internal controls;
- Each key governance committee is supported by a designated lead Executive Director who has the delegated management accountability for statutory and regulatory matters;
- Regular review of financial performance, risk management arrangements and non-financial performance against key service measures and standards by the Performance Governance Committee;
- Regular review of service quality against recognised professional clinical standards by the Clinical Governance Committee;
- Regular review of workforce arrangements and implementation of the NHS Scotland Staff Governance standards by the Staff Governance Committee;
- An active joint management and staff partnership forum with staff side representation embedded in all key management teams and a dedicated full time Employee Director who is a member of the Board;
- Regular review of priorities for infrastructure investment and progress against the agreed Asset Management Plan by an Asset Management Group chaired by a Board Executive Director and including management representatives from all operational sectors and representation from the clinical advisory structure;

- Clear allocation of responsibilities to ensure we review and develop our organisational arrangements and services in line with national standards and guidance;
- Consultation on service change proposals is undertaken with stakeholders and used to inform decision making;
- Promotion of effective cross sector governance arrangements through participation by the IJB Board members and the Chief Executives of each of the partner organisations in the North East Partnership forum, regular meetings between the Chief Executives of all public sector organisations in Grampian and performance review meetings with each IJB Chief Officer to further develop and drive improvement through integrated service delivery.
- A patient feedback service to record and investigate complaints and policies to protect employees who raise concerns in relation to suspected wrongdoing such as clinical malpractice, fraud and health and safety breaches; and
- An annual general meeting of all Trustees of the NHS Grampian Endowment Funds to approve the accounts and review investment policy and strategy.

Based on the evidence considered during the review of the effectiveness of the internal control environment operating within NHS Grampian, the Chief Executive has confirmed that she is not aware of any outstanding significant control weaknesses or other failures to achieve the standards set out in the guidance that applies to NHS Boards in relation to governance, risk management and internal control.

Certification

Subject to the above, and on the basis of assurances provided, we consider that the internal control environment operating during the reporting period provides reasonable and objective assurance that any significant risks impacting upon the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the internal control environment and action plans are in place to identify areas for improvement. It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Aberdeen City Integration Joint Board’s systems of governance.

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Sandra Ross
Chief Officer

Sarah Duncan
Chair

Comprehensive Income and Expenditure Statement

This statement shows the cost of providing services for the year according to accepted accounting practices.

2017/18			2018/19			
Gross Expenditure £	Gross Income £	Net Expenditure £		Gross Expenditure £	Gross Income £	Net Expenditure £
31,406,760	-	31,406,760	Community Health Services	31,594,608	0	31,594,608
21,724,509	-	21,724,509	Aberdeen City share of Hosted Services (health)	22,330,324	0	22,330,324
31,269,790	-	31,269,790	Learning Disabilities	34,621,408	0	34,621,408
20,065,177	-	20,065,177	Mental Health & Addictions	19,992,884	0	19,992,884
72,882,926	-	72,882,926	Older People & Physical and Sensory Disabilities	74,255,297	0	74,255,297
(475,319)	(112,000)	(587,319)	Head office/Admin	171,352	0	171,352
4,658,796	(4,749,806)	(91,010)	Criminal Justice	5,110,341	(5,011,925)	98,416
1,860,555	-	1,860,555	Housing	1,860,555	0	1,860,555
41,364,343	-	41,364,343	Primary Care Prescribing	40,316,656	0	40,316,656
37,234,075	-	37,234,075	Primary Care	38,885,208	0	38,885,208
1,480,487	-	1,480,487	Out of Area Treatments	1,689,920	0	1,689,920
41,344,000	-	41,344,000	Set Aside Services	46,416,000	0	46,416,000
5,011,678	-	5,011,678	Transformation	5,652,732	0	5,652,732
309,827,777	(4,861,806)	304,965,971	Cost of Services	322,897,286	(5,011,925)	317,885,361
-	(302,855,462)	(302,855,462)	Taxation and Non-Specific Grant Income (Note 5)	-	(315,156,732)	(315,156,732)
309,827,777	(307,717,268)	2,110,509	(Surplus) or Deficit on Provision of Services	322,897,286	(320,168,657)	2,728,628
		2,110,509	Total Comprehensive Income and Expenditure			2,728,628

There are no statutory or presentation adjustments which affect the IJB's application of the funding received from partners. The movement in the General Fund balance is therefore solely due to the transactions shown in the Comprehensive Income and Expenditure Statement. Consequently, an Expenditure and Funding Analysis is not provided in these annual accounts.

Movement in Reserves Statement

This statement shows the movement in the year on the IJB's reserves. The movements which arise due to statutory adjustments which affect the General Fund balance are separately identified from the movements due to accounting practices.

Movements in Reserves During 2018/19	General Fund Balance	Total Reserves
	£	£
Opening Balance at 31 March 2018	(8,306,965)	(8,306,965)
Total Comprehensive Income and Expenditure	2,728,628	2,728,628
Adjustments between accounting basis and funding basis under regulation	-	-
(Increase) or Decrease in 2018/19	2,728,628	2,728,628
Closing Balance at 31 March 2019	(5,578,337)	(5,578,337)
<hr/>		
Movements in Reserves During 2017/18	General Fund Balance	Total Reserves
	£	£
Opening Balance at 31 March 2017	(10,417,474)	(10,417,474)
Total Comprehensive Income and Expenditure	2,110,509	2,110,509
Adjustments between accounting basis and funding basis under regulation	-	-
(Increase) or Decrease in 2017/18	2,110,509	2,110,509
Closing Balance at 31 March 2018	(8,306,965)	(8,306,965)

Balance Sheet

The Balance Sheet shows the value of the IJB's assets and liabilities as at the balance sheet date. The net assets of the IJB (assets less liabilities) are matched by the reserves held by the IJB.

31 Mar 2018		Notes	31 Mar 2019
£			£
8,306,965	Short term Debtors	(6)	8,147,834
8,306,965	Current Assets		8,147,834
-	Short term Creditors	(7)	(2,569,497)
-	Current Liabilities		(2,569,497)
8,306,965	Net Assets		5,578,337
(8,306,965)	Usable Reserve: General Fund	(8)	(5,578,337)
-	Unusable Reserve:		-
(8,306,965)	Total Reserves		(5,578,337)

The audited accounts were issued on 28 May 2019

Alex Stephen

Chief Finance Officer
28 May 2019

Usable reserves may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable Reserves includes reserves relating to statutory adjustments as shown in the Movement in Reserves Statement.

Notes to the Financial Statements

1. Significant Accounting Policies

General Principles

The Financial Statements summarises the authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019.

The IJB was established under the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014 and is a Section 106 body as defined in the Local Government (Scotland) Act 1973.

The Financial Statements are therefore prepared in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS), unless legislation or statutory guidance requires different treatment.

The accounts are prepared on a going concern basis, which assumes that the IJB will continue in operational existence for the foreseeable future. The historical cost convention has been adopted.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when settlement in cash occurs. In particular:

- Expenditure is recognised when goods or services are received and their benefits are used by the IJB.
- Income is recognised when the IJB has a right to the income, for instance by meeting any terms and conditions required to earn the income, and receipt of the income is probable.
- Where income and expenditure have been recognised but settlement in cash has not taken place, a debtor or creditor is recorded in the Balance Sheet.
- Where debts may not be received, the balance of debtors is written down

Funding

The IJB is primarily funded through funding contributions from the statutory funding partners, Aberdeen City Council and NHS Grampian. Expenditure is incurred as the IJB commissions specified health and social care services from the funding partners for the benefit of service recipients in Aberdeen City.

Cash and Cash Equivalents

The IJB does not operate a bank account or hold cash. Transactions are settled on behalf of the IJB by the funding partners. Consequently, the IJB does not present a 'Cash and Cash Equivalent' figure on the balance sheet or a cashflow statement. The funding balance due to or from each funding partner as at 31 March is represented as a debtor or creditor on the IJB's Balance Sheet.

Employee Benefits

The IJB does not directly employ staff. Staff are formally employed by the funding partners who retain the liability for pension benefits payable in the future. The IJB therefore does not present a Pensions Liability on its Balance Sheet.

The IJB has a legal responsibility to appoint a Chief Officer. More details on the arrangements are provided in the Remuneration Report. The charges from the employing partner are treated as employee costs. Where material the Chief Officer's absence entitlement as at 31 March is accrued, for example in relation to annual leave earned but not yet taken. In the case of Aberdeen City IJB any annual leave earned but not yet taken is not considered to be material.

Reserves

The IJB is permitted to set aside specific amounts as reserves for future policy purposes. Reserves are generally held to do three things:

- create a working balance to help cushion the impact of uneven cash flows – this forms part of general reserves;
- create a risk fund to cushion the impact of unexpected events or emergencies; and
- create a means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities.

The balance of the reserves normally comprises:

- funds that are earmarked or set aside for specific purposes; and
- funds which are not earmarked for specific purposes but are set aside to deal with unexpected events or emergencies.

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged against the appropriate line in the Income and Expenditure Statement in that year to score against the Surplus/Deficit on the Provision of Services. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement.

The IJB's reserves are classified as either Usable or Unusable Reserves.

The IJB's only Usable Reserve is the General Fund. The balance of the General Fund as at 31 March shows the extent of resources which the IJB can use in later years to support service provision.

Indemnity Insurance

The IJB has indemnity insurance for costs relating primarily to potential claim liabilities regarding Board member and officer responsibilities. NHS Grampian and Aberdeen City Council have responsibility for claims in respect of the services that they are statutorily responsible for and that they provide.

Unlike NHS Boards, the IJB does not have any 'shared risk' exposure from participation in CNORIS. The IJB participation in the CNORIS scheme is therefore analogous to normal insurance arrangements.

Known claims are assessed as to the value and probability of settlement. Where it is material the overall expected value of known claims taking probability of settlement into consideration, is provided for in the IJB's Balance Sheet.

The likelihood of receipt of an insurance settlement to cover any claims is separately assessed and, where material, presented as either a debtor or disclosed as a contingent asset.

Support Services

Corporate support services (finance, legal and strategy) are provided by Aberdeen City Council and NHS Grampian at no cost to the IJB and it is not possible to separately identify these costs. To the extent that delegated services include an element of overheads and support services costs, these will be included within the appropriate line within the Income and Expenditure statement.

2. Critical Judgements and Estimation Uncertainty

The Financial Statements include some estimated figures. Estimates are made taking into account the best available information, however actual results could be materially different from the assumptions and estimates used. The key items in this respect are listed below.

Provisions

No financial provision for any future events has been made by the IJB in this accounting period.

3. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the IJB's financial position or financial performance. Where a change is made, it is applied retrospectively by

adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

The audited Annual Accounts were authorised for issue by the Chief Finance Officer on 28 May 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

4. Expenditure and Income Analysis by Nature

2017/18		2018/19
£		£
122,925,886	Services commissioned from Aberdeen City Council	128,849,426
186,873,091	Services commissioned from NHS Grampian	194,018,459
-	Employee Benefits Expenditure	-
-	Insurance and Related Expenditure	-
28,800	Auditor Fee: External Audit	29,400
-	Auditor Fee: Other	-
(4,861,806)	Service Income: Aberdeen City Council	(5,011,925)
-	Service Income: NHS Grampian	-
(302,855,462)	Partners Funding Contributions and Non-Specific Grant Income	(315,156,732)
2,110,509	(Surplus) or Deficit on the Provision of Services	2,728,628

5. Taxation and Non-Specific Grant Income

2017/18		2018/19
£		£
(85,168,829)	Funding Contribution from Aberdeen City Council	(86,855,919)
(217,686,633)	Funding Contribution from NHS Grampian	(228,300,813)
(302,855,462)	Taxation and Non-specific Grant Income	(315,156,732)

The funding contribution from the NHS Board shown above includes £46,416,000 in respect of 'set-aside' resources relating to acute hospital and other resources. These are provided by the NHS, which retains responsibility for managing the costs of providing the services. The IJB, however, has responsibility for the consumption of, and level of demand placed on, these resources.

The funding contributions from the partners shown above exclude any funding which is ring-fenced for the provision of specific services, such as that provided for Criminal Justice. Such ring-fenced funding is presented as income in the Cost of Services in the Comprehensive Income and Expenditure Statement.

6. Debtors

31 Mar 18		31 Mar 19
£		£
5,181,711	NHS Grampian	8,147,834
3,125,254	Aberdeen City Council	-
8,306,965	Debtors	8,147,834

Amounts owed by the funding partners are stated on a net basis. Creditor balances relating to expenditure obligations incurred by the funding partners but not yet settled in cash terms are offset against the funds they are holding on behalf of the IJB.

7. Creditors

31 Mar 18		31 Mar 19
£		£
-	Aberdeen City Council	(2,569,497)
-	Creditors	(2,569,497)

Amounts owed to the funding partners are stated on a net basis. Debtor balances relating to expenditure obligations incurred by the funding partners but not yet settled in cash terms are offset against the funds they are holding on behalf of the IJB.

8. Usable Reserve: General Fund

The IJB holds a balance on the General Fund for two main purposes:

- To earmark, or build up, funds which are to be used for specific purposes in the future, such as known or predicted future expenditure needs. This supports strategic financial management.
- To provide a risk fund to cushion the impact of unexpected events or emergencies. This is regarded as a key part of the IJB's risk management framework.

The table below shows the movements on the General Fund balance, analysed between those elements earmarked for specific planned future expenditure, and the amount held as a risk fund.

2017/18				2018/19			
Balance at 1 April 2017	Transfers In	Transfers Out	Balance at 31 March 2018		Transfers In	Transfers Out	Balance at 31 March 2019
£	£	£	£		£	£	£
(500,000)	-	-	(500,000)	Equipment	-	500,000	-
-	(2,639,806)	-	(2,639,806)	Primary Care	-	1,059,945	(1,579,861)
-	-	-	-	PCIP*	(281,152)	-	(281,152)
-	-	-	-	ADP*	(666,404)	-	(666,404)
(7,417,474)	-	4,000,315	(3,417,159)	Integration +Change	(399,806)	3,266,045	(550,920)
(7,917,474)	(2,639,806)	4,000,315	(6,556,965)	Total Earmarked	(1,347,362)	4,825,990	(3,078,337)
(2,500,000)	-	750,000	(1,750,000)	Risk Fund	(750,000)	-	(2,500,000)
(10,417,474)	(2,639,806)	4,750,315	(8,306,965)	General Fund	(2,097,362)	4,825,990	(5,578,337)

* PCIP – Primary Care Improvement Funds

* ADP – Alcohol & Drugs Partnership Funding

9. Agency Income and Expenditure

On behalf of all IJBs within the NHS Grampian area, the IJB acts as the lead manager for Sexual Health Services and Woodend Rehabilitation Services. It commissions services on behalf of the other IJBs and reclaims the costs involved. The payments that are made on behalf of the other IJBs, and the consequential reimbursement, are not included in the Comprehensive Income and Expenditure Statement (CIES) since the IJB is not acting as principal in these transactions.

The amount of expenditure and income relating to the Sexual Health Services agency arrangement is shown below.

2017/18		2018/19
£		£
1,259,746	Expenditure on Agency Services	1,269,269
(1,259,746)	Reimbursement for Agency Services	(1,269,269)
-	Net Agency Expenditure excluded from the CIES	-

The amount of expenditure and income relating to the Woodend Rehabilitation Services agency arrangement is shown below.

2017/18 £		2018/19 £
6,061,434	Expenditure on Agency Services	6,374,360
(6,061,434)	Reimbursement for Agency Services	(6,374,360)
-	Net Agency Expenditure excluded from the CIES	-

10. Related Party Transactions

The IJB has related party relationships with the NHS Grampian, Aberdeen City Council and Bon Accord Care/Bon Accord Support Services. The nature of these relationships means that the IJB may influence, and be influenced by, these parties. The following transactions and balances included in the IJB's accounts are presented to provide additional information on the relationships.

NHS Grampian

2017/18 £		2018/19 £
(217,686,633)	Funding Contributions received from the NHS Board*	(228,300,813)
-	Service Income received from the NHS Board	-
186,687,549	Expenditure on Services Provided by the NHS Board	193,901,170
185,542	Key Management Personnel: Non-Voting Board Members	117,289
(30,813,542)	Net Transactions with the NHS Grampian	(34,282,354)

Key Management Personnel: The non-voting Board members employed by the NHS Board and recharged to the IJB include the Chief Officer and the Clinical Director. Details of the remuneration for some specific post-holders is provided in the Remuneration Report

*Includes resource transfer income of £31,319,000

Balances with NHS Grampian

31-Mar-18		31-Mar-19
£		£
5,181,711	Debtor balances: Amounts due from the NHS Board	8,147,834
-	Creditor balances: Amounts due to the NHS Board	-
5,181,711	Net Balance with the NHS Grampian	8,147,834

Transactions with Aberdeen City Council

2017/18		2018/19
£		£
(85,168,829)	Funding Contributions received from the Council	(86,855,919)
(4,861,806)	Service Income received from the Council	(5,011,925)
122,864,232	Expenditure on Services Provided by the Council	128,730,637
90,454	Key Management Personnel: Non-Voting Board Members	148,189
32,924,051	Net Transactions with Aberdeen City Council	37,010,982

Key Management Personnel: The non-voting Board members employed by the NHS Board and recharged to the IJB include the Chief Financial Officer. Details of the remuneration for some specific post-holders is provided in the Remuneration Report. The Chief Social Work Officer is a non-voting member of the IJB and the costs associated with this post are borne by the Council.

31-Mar-18		31-Mar-19
£		£
3,125,254	Debtor balances: Amounts due from the Council	-
-	Creditor balances: Amounts due to the Council	(2,569,497)
3,125,254	Net Balance with the Aberdeen City Council	(2,569,497)

Transactions with Bon Accord Care (BAC) and Bon Accord Support Services (BASS)

Bon Accord Care Limited and Bon Accord Support Services Limited are private companies limited by shares which are 100% owned by Aberdeen City Council. Bon Accord Care provides regulated (by the Care Inspectorate) care services to Bon Accord Support Services which in turn delivers both regulated and unregulated adult social care services to the Council.

31-Mar-18		31-Mar-19
£		£
(898,000)	Service Income received from the Council	(980,261)
28,975,742	Expenditure on Services Provided by the Council	29,010,581
28,077,742	Net Transactions with BAC/BASS	28,030,320

11. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Glossary of Terms

While the terminology used in this report is intended to be self-explanatory, it may be useful to provide additional definition and interpretation of the terms used.

Accounting Period

The period of time covered by the Accounts, normally a period of 12 months commencing on 1 April each year. The end of the accounting period is the Balance Sheet date.

Accruals

The concept that income and expenditure are recognised as they are earned or incurred not as money is received or paid.

Asset

An item having value to the IJB in monetary terms. Assets are categorised as either current or non-current. A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock). A non-current asset provides benefits to the IJB and to the services it provides for a period of more than one year.

Audit of Accounts

An independent examination of the IJB's financial affairs.

Balance Sheet

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Consistency

The concept that the accounting treatment of like terms within an accounting period and from one period to the next is the same.

Contingent Asset/Liability

A Contingent Asset/Liability is either:

- A possible benefit/obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the IJB's control; or
- A present benefit/obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

Creditor

Amounts owed by the IJB for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

Debtor

Amount owed to the IJB for works done, goods received, or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

Entity

A body corporate, partnership, trust, unincorporated association or statutory body that is delivering a service or carrying on a trade or business with or without a view to profit. It should have a separate legal personality and is legally required to prepare its own single entity accounts.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the IJB and which need to be disclosed separately by virtue of their size or incidence to give a fair presentation of the accounts.

Government Grants

Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the IJB. These grants may be specific to a particular scheme or may support the revenue spend of the IJB in general.

IAS

International Accounting Standards.

IFRS

International Financial Reporting Standards.

IRAG

Integration Resources Advisory Group.

LASAAC

Local Authority (Scotland) Accounts Advisory Committee.

Liability

A liability is where the IJB owes payment to an individual or another organisation. A current liability is an amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn. A non-current liability is an amount which by arrangement is payable beyond the next year at some point in the future or will be paid off by an annual sum over a period of time.

Provisions

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PSIAS

Public Sector Internal Audit Standards.

Related Parties

Bodies or individuals that have the potential to control or influence the IJB or to be controlled or influenced by the IJB. For the IJB's purposes, related parties are deemed to include voting members, the Chief Officer, the Chief Finance Officer, the Heads of Service and their close family and household members.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the monetary value of any other benefits received other than incash.

Reserves

The accumulation of surpluses, deficits and appropriation over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the IJB.

Revenue Expenditure

The day-to-day expenses of providing services.

Significant Interest

The reporting authority is actively involved and is influential in the direction of an entity through its participation in policy decisions.

SOLACE

Society of Local Authority Chief Executives.

The Code

The Code of Practice on Local Authority Accounting in the United Kingdom.