

# Aberdeen City Integration Joint Board

2022/23 Annual Audit Report – DRAFT



 AUDIT SCOTLAND

Prepared for Aberdeen City Integration Joint Board and the Controller of Audit  
March 2024

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# Key messages

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## 2022/23 annual accounts

- 1** Audit opinions on the annual accounts of the Aberdeen City Integration Joint Board (IJB) are unmodified.
- 2** The management commentary, annual governance statement and remuneration report were consistent with the financial statements and properly prepared in accordance with the applicable guidance. In future years, action is required to improve the management commentary to provide a better overview of service performance.
- 3** The unaudited annual accounts were received in line with our agreed audit timetable. Gaps in the supporting working papers and audit trails combined with incomplete responses to audit queries delayed the conclusion of the audit. Action is required to ensure that unaudited accounts are accompanied by a comprehensive audit trail when submitted for audit.

## Financial management and sustainability

- 4** The IJB has appropriate in-year budget monitoring arrangements in place but there is scope to ensure the board receives budget monitoring reports in respect of every quarter.
- 5** A robust approach to medium and longer-term financial planning is in place. A seven-year financial plan is prepared showing the savings required each year to deliver a break-even position.
- 6** Excluding the use of Covid reserves in the year, a small deficit was incurred and was met from reserves. It has never been necessary for the IJB to seek additional funding from partners to cover unexpected deficits.
- 7** Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate.
- 8** Clear aims and actions have been identified to manage future workforce challenges. Targets and measures should now be agreed and reported to demonstrate the effectiveness and impact of the workforce plan.

## **Vision, leadership and governance, and use of resources to improve outcomes**

- 9** Arrangements should be put in place for the Risk, Audit and Performance Committee, as the body charged with governance, to routinely approve the board's annual accounts. Otherwise, governance arrangements are appropriate and operate effectively.
- 10** There is an effective performance reporting framework in place but there is scope to focus more on targets, outcomes and impact.
- 11** Performance in relation to national measures is generally in line with Scottish averages.

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# Introduction

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**1.** This report summarises the findings from the 2022/23 annual audit of Aberdeen City Integration Joint Board (IJB). The scope of the audit was set out in an annual audit plan presented to the Risk, Audit and Performance Committee in May 2023. This Annual Audit Report comprises:

- significant matters arising from an audit of Aberdeen City IJB’s annual accounts
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
  - financial management
  - financial sustainability
  - vision, leadership, and governance
  - use of resources to improve outcomes.
- conclusions on Aberdeen City IJB’s arrangements for meeting its Best Value duties

**2.** This report is addressed to the members of Aberdeen City IJB and the Controller of Audit and will be published on Audit Scotland’s website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

## Audit appointment from 2022/23

**3.** The 2022/23 financial year was the first of our five-year appointment. Our appointment coincides with the new [Code of Audit Practice](#) which was introduced for financial years commencing on or after 1 April 2022.

**4.** We would like to thank the chief finance officer and finance staff from partner bodies for their cooperation and assistance during the year and we look forward to working together constructively over the course of the audit appointment.

## Responsibilities and reporting

**5.** Aberdeen City IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. Aberdeen City IJB is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

**6.** The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice 2021](#), and supplementary guidance and International Standards on Auditing in the UK.

**7.** Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of Aberdeen City IJB from its responsibility to address the issues we raise and to maintain adequate systems of control.

**8.** This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

## **Auditor Independence**

**9.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services. Our 2022/23 annual audit plan set out an audit fee of £31,470. This has been increased by £3,500 to £34,970 to reflect the additional work required to complete the audit. We are not aware of any relationships that could compromise our objectivity and independence.

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# 1. Audit of 2022/23 annual accounts

Public bodies are required to prepare annual accounts comprising financial statements and other related reports. These are the principal means of accounting for the stewardship of public funds.

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## Main judgements

Audit opinions on the annual accounts of the IJB are unmodified.

The management commentary, annual governance statement and remuneration report were consistent with the financial statements and properly prepared in accordance with the applicable guidance. In future years, action is required to improve the management commentary to provide a better overview of service performance.

The unaudited annual accounts were received in line with our agreed audit timetable. Gaps in the supporting working papers and audit trails combined with incomplete responses to audit queries delayed the conclusion of the audit. Action is required to ensure that unaudited accounts are accompanied by a comprehensive audit trail when submitted for audit.

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## Audit opinions on the annual accounts are unmodified

**10.** The board is due to approve the annual accounts for Aberdeen City IJB for the year ended 31 March 2023 on 26 March 2024. As reported in the independent auditor's report, the financial statements:

- give a true and fair view of the state of affairs of the IJB as at 31 March 2023 and of its income and expenditure for the year then ended
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

## Overall materiality was assessed as £7.8 million

**11.** Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion

set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

**12.** Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed on receipt of the unaudited annual accounts and remains relevant. This is summarised in [Exhibit 1](#).

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## Exhibit 1

### Materiality values

Materiality level	Amount
<b>Overall materiality</b> - The overall materiality threshold for the audit of the annual accounts of Aberdeen City IJB was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.	£7.8 million
<b>Performance materiality</b> - Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 65% of overall materiality, reflecting issues noted during planning, e.g., replacement of social care system, reliance on partners' ledger for producing the IJB accounts and return of Covid funding.	£5.0 million
<b>Reporting threshold</b> - It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.	£250,000

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## Significant findings and key audit matters

**13.** The unaudited annual accounts were received in line with our agreed audit timetable on 5 May 2023. Due to resource issues within Audit Scotland, we advised the chief finance officer in August that it would not be possible to conduct the IJB's audit by 30 September 2023 and that we would aim to conclude the audit in December 2023.

**14.** There were however gaps in the working papers and associated audit trails provided for audit which required further information and clarification from officers. A meeting was held with the chief finance officer on 25 January 2024 to discuss the additional information required. A partial response and revised accounts were received on 21 February 2024 but these fell short of expectations. Reaching resolution with officers on the matters which arose from the audit delayed the conclusion of the audit by more than two months.



**15.** Under International Standard on Auditing (UK) 260 we communicate significant findings from the audit to the board, including our view about the qualitative aspects of the body's accounting practices.

**16.** The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements.

**17.** The significant findings are summarised in [Exhibit 2](#).

## Exhibit 2

### Significant findings and key audit matters from the audit of the annual accounts

Issue	Resolution
<p><b>1. Remuneration Report - Disclosure of Chief Operating Officer's (COO) remuneration</b></p> <p>In August 2022, Aberdeen City Health and Social Care Partnership appointed a chief operating officer. In our view, this role meets the definition of a relevant senior employee as set out in The Local Authority Accounts (Scotland) Regulations 2014 and therefore his remuneration should be disclosed in the Remuneration Report.</p>	<p>The Remuneration Report in the revised accounts have been amended to include the COO's remuneration.</p>
<p><b>2. Use of Covid-19 funding</b></p> <p>The unaudited accounts included an accrual of £6.9 million in respect of sustainability payments to care providers which have been funded by the Scottish Government's Covid-19 funding. The audit trail between the monitoring spreadsheet where all sustainability payments are recorded and the associated postings in the financial ledger is unclear.</p>	<p>Matter still to be resolved</p> <p>- Finance officers are preparing a reconciliation between claims received and the ledger to demonstrate the accuracy of the year end accrual.</p>
<p><b>3. Working papers</b></p> <p>There were important gaps in the working papers and associated audit trails provided for audit. E.g. manual adjustments to partner bodies and contras between partners when preparing IJB joint report, movements in individual reserves during the year, source evidence to support the remuneration report disclosures, reconciliation of accounts with partner ledgers.</p>	<p>Additional supporting evidence was requested and obtained during the audit.</p> <p><b>Recommendation 1</b></p> <p>(Refer <a href="#">Appendix 1</a>, action plan)</p>

## The management commentary needs significant improvement

**18.** The Local Authority Accounts (Scotland) Regulations 2014 require the annual accounts to include a management commentary prepared in accordance with statutory guidance. Management commentaries should provide information on the IJB's main objectives and the principal risks faced. It should provide a fair, balanced and understandable analysis of an organisation's performance – both financial and non-financial – as well as helping stakeholders understand the financial statements.

**19.** We identified scope for improvement in the management commentary included in the annual accounts. In our opinion, the unaudited version of the management commentary did not provide:

- a fair, balanced and understandable analysis of the IJB's performance during 2022/23 and could have done more to help stakeholders understand the financial statements e.g. progress against outcomes, financial outturn against budget, achievement of planned savings.
- an overview of service performance in the year or include relevant indicators to enhance the service 'story'. While the guidance allows flexibility in terms of the level of performance information included, there is an expectation that the commentary includes financial and non-financial performance indicators. The commentary should include both positive and negative aspects.
- references to, or additional explanations of, amounts included in the financial statements. The commentary provided for audit did not explain how the deficit reported in the comprehensive income and expenditure statement related to the outturn position against budget. Also, the initial story provided in the management commentary on the Scottish Government's clawback of unused Covid funding was confusing and not clearly explained.

**20.** Following discussions with the Chief Finance Officer, limited improvement was made to the disclosures within the revised accounts. Arrangements need to be put in place for a full review of the process and information requirements for the production of future management commentaries.

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## Recommendation 2

The management commentary should provide a clear and balanced narrative on the performance of the IJB during the year and be supported by financial and non-financial performance information. (Refer [Appendix 1](#), action plan)

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## Annual Governance Statement

**21.** The Annual Governance Statement is required to include an assessment of the effectiveness of the key elements of the governance framework and an opinion on the level of assurance that the governance arrangements can provide. The statement relates to the governance system as it applied during

the year but significant events or developments that occur between the reporting date and the date on which the accounts are signed should also be reported.

**22.** It is customary for an internal auditor's opinion on the level of assurance for the financial year to be included in a governance statement. As the unaudited accounts were submitted for audit before the internal auditor's annual report was available, the opinion was not included.

**23.** In September 2023, internal audit identified major risks following its review on adults with capacity. Given the limited assurance obtained in this area, we recommended a reference to the findings and proposed actions to address the identified risks be included in the action plan which forms part of the annual governance statement. This has now been reflected in the annual governance statement in the revised accounts.

## Our audit work responded to the risks of material misstatement we identified in the annual accounts

**24.** We have obtained audit assurances over the identified significant risks of material misstatement in the annual accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

### Exhibit 3

#### Significant risks of material misstatement in the annual accounts

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Risk of material misstatement due to fraud caused by management override of controls</b></p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Evaluating assurances from the external auditors of partner bodies, i.e., Aberdeen City Council and NHS Grampian, which include:</p> <ul style="list-style-type: none"> <li>Assessing the design and implementation of controls over journal entry processing</li> <li>Making inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments</li> </ul>	<p>Appropriate assurances were received from the external auditors of partner bodies who did not identify any evidence of management overriding controls.</p> <p>Related party relationships have been adequately disclosed in the accounts.</p>

Audit risk	Assurance procedure	Results and conclusions
	<ul style="list-style-type: none"> <li>• Testing journals around the year-end and focusing on areas of risk</li> <li>• Evaluating significant transactions outside the normal course of business</li> <li>• Reviewing accounting estimates</li> <li>• Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year</li> <li>• Focused testing of accounting accruals and prepayments.</li> <li>• Assessing the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements.</li> </ul>	
<p><b>2. Replacement of social care system</b></p> <p>The health and social care partnership processes social care packages amounting to approx. £90 million each year. The case management system was replaced in October 2022. Changes to systems and processes come with a risk that design and operation of controls may be ineffective, and risk of fraud and error increases. There is also a risk that data migrated from the old to the new system may be inaccurate and/or incomplete.</p>	<p>Evaluating assurances from the external auditor of the partner body, Aberdeen City Council.</p>	<p>Appropriate assurances were received from the external auditor of the partner body.</p>

**25.** In addition, we identified “areas of audit focus” in our 2022/23 Annual Audit Plan where we considered there to be risks of material misstatement to the financial statements. These are summarised in [Exhibit 4](#).

## Exhibit 4

### Areas of audit focus

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Transactions for the IJB are recorded through the partners' financial ledgers.</b></p> <p>If robust processes are not in place, there is a risk that expenditure and income is miscoded and IJB accounts are misstated.</p>	<p>Since this is the first year of our audit appointment, we discussed with Finance officers the arrangements in place for pulling together information required to prepare the financial statements and ensuring they are complete and correctly presented.</p> <p>We also reviewed related party transactions including reconciliation with the relevant balances in the partners' accounts, as appropriate, to ensure accuracy and completeness of reported amounts.</p>	<p>The IJB accounts were prepared from the respective partners' financial ledgers and pulled together via a consolidation spreadsheet. We agreed the figures in the IJB accounts to the said ledgers.</p> <p>Related party relationships have been reconciled to the partners' accounts and appropriately disclosed in the accounts.</p>
<p><b>2. Return of surplus Covid-19 funding to the Scottish Government</b></p> <p>The Scottish Government has recovered surplus Covid-19 reserves from IJBs. With regard to Aberdeen City, this amounted to £9.6 million. This presents a risk that Covid related expenditure may be misstated to minimise the surplus returned.</p>	<p>We considered the appropriateness of the accounting treatment and transparency of disclosures around this issue in the annual accounts.</p>	<p>The return of Covid funding to the Scottish Government was accounted for by way of a reduced funding contribution from NHS Grampian in 2022/23.</p> <p>We reviewed the accounting entries and disclosures in the annual accounts and considered that they are appropriate and in line with government guidance.</p> <p>The clawback amount of £9.7 million was agreed to correspondence from Scottish Government.</p> <p>The narrative in the management commentary was amended during the audit process to provide a clearer explanation of the clawback process adopted by Scottish Government. (Refer para 19, third bullet)</p>

**26.** Based on the findings of the audit procedures performed, there are no further matters which we need to bring to your attention.

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## 2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

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### Conclusion

The IJB has appropriate in-year budget monitoring arrangements in place but there is scope to ensure the board receives budget monitoring reports in respect of every quarter.

A seven-year financial plan is in place showing the savings required each year to deliver a break-even position.

Excluding the use of Covid reserves in the year, a small deficit was met from reserves. It has never been necessary for the IJB to seek additional funding from partners to cover unexpected deficits.

Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate.

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**27.** In March 2022, the IJB approved the 2022/23 budget as part of a seven-year Medium Term Financial Framework (MTFF) covering financial years 2022/23 to 2028/29. This identified new budget pressures likely to be faced by the IJB over the next seven years, changes in funding and planned measures to generate budget savings to meet the forecast funding gaps each year. Budget pressures include pay awards, increases in prescribing due to volume and prices, uplifts to care home contracts and direct payments and costs of transforming services to generate required savings.

**28.** The budget for 2022/23 highlighted budget pressures of £27.8 million, expected funding of £26.6 million leaving a shortfall of £1.2 million to be covered by savings. Quarterly financial monitoring reports set out the budget for the year, budget and actual expenditure for the period with a variance analysis and forecast expenditure for the year. A breakdown for this information is provided across approximately ten service headings.

**29.** In 2022/23, Q2 monitoring to 30 September was considered by the board in November 2022 and Q3 and Q4 to 31 December and 31 March respectively by the Risk, Audit and Performance Committee in February and June 2023 respectively. Q1 was not formally considered by members during 2022/23. This was potentially an oversight as quarterly reporting appears to be on track for financial year 2023/24.

## The IJB reported an overspend in 2022/23 resulting in a decrease in reserves

**30.** The IJB reported an overspend of £24.2 million against a budgeted breakeven position ([Exhibit 5](#)). This reduced the IJB reserves from £51.4 million to £27.2 million at 31 March 2023. The overspend is attributed to actual expenditure being £4.5 million higher than budget and actual contributions from partners being £19.8 million lower than budget. This was largely due to reduced funding from NHS Grampian because of Scottish Government's requirement for IJBs to fund Covid related expenditure from unspent Covid funding held in reserves and to return any remaining unspent balance to Scottish Government.

**31.** In September 2022, the Scottish Government had written to IJBs, NHS and Local Government chief finance officers informing them of their intention to clawback unspent Covid reserves in order that they could be redistributed across the sector to meet current Covid priorities. In January 2023, a further update was issued by the Scottish Government including a breakdown by IJB of the funds to be clawed back which had been based on Month 8 monitoring returns.

**32.** Aberdeen City IJB's Covid opening reserves amounted to £19.7 million, of which £10.0 million was utilised in 2022/23 leaving an unused balance of £9.7 million which was clawed back by the Scottish Government.

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### Exhibit 5 Performance against budget

IJB budget summary	Budget £m	Actual £m	Variance £m
Net Expenditure	394.463	398.951	4.488
NHS Grampian	(275.685)	(255.927)	19.758
Aberdeen City Council	(118.778)	(118.778)	0
<b>Total Net Expenditure</b>	<b>0</b>	<b>24.246</b>	<b>24.246</b>

Source: Aberdeen City IJB Annual Accounts 2022/23 (actual) and Quarter 4 2022-23 Financial Monitoring Update (budget)

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## The IJB has appropriate financial control arrangements in place

**33.** The IJB is a commissioning body and does not operate its own financial systems directly. The financial statements are produced from the financial systems of its partners.

**34.** The IJB does not have any assets, nor does it directly incur expenditure or employ staff. All funding and expenditure for the IJB is received/incurred by partner bodies and processed in their respective accounting records including the financial ledger and payroll.

**35.** Internal control over financial systems sits within the partner bodies rather than the IJB. Information from these systems is used to prepare the IJB's annual accounts. As part of our planned audit approach, we sought assurance from the external auditors of NHS Grampian and Aberdeen City Council, the IJB partner bodies, on the appropriateness of the design and effectiveness of operation of systems of internal control (including those relating to IT) at the partner bodies relevant to the IJB.

**36.** These assurances confirmed there were no significant weaknesses in the systems of internal control for either the health board or the council that could result in a risk of material misstatement to the IJB's annual accounts.

### **Internal audit provided a reasonable level of assurance**

**37.** The IJB's internal audit service is provided by the chief internal auditor of Aberdeenshire Council under a shared service arrangement. The internal audit in respect of financial year 2022/23 was reported to the Risk, Audit and Performance Committee during the year. The chief internal auditor's 2022/23 annual report and opinion was subsequently considered by the committee in June 2023 when he confirmed that, in his opinion, the board had operated an adequate and effective framework for governance, risk management and control during the year under review.

### **Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate**

**38.** Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

**39.** The IJB does not maintain its own policies relating to the prevention and detection of fraud and error but takes assurance from those in place at its partner bodies. The assurances provided by the auditors of NHS Grampian and Aberdeen City Council did not highlight any non-compliance with laws and regulations or other significant matters including fraud or suspected fraud. We are not aware of any specific issues we require to bring to your attention.

**40.** The IJB has a code of conduct for its members which was revised in summer 2022 and provides an annual report to the Risk, Audit and Performance Committee covering both its own whistle blowing arrangements and those of the partner bodies.



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# 3. Financial sustainability

Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

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## Conclusion

A robust approach to medium and longer-term financial planning is in place.

Clear aims and actions have been identified to manage future workforce challenges. Targets and measures should now be agreed and reported to demonstrate the effectiveness and impact of the workforce plan.

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### **The IJB has a robust approach to medium and longer-term financial planning including identification of potential savings initiatives to achieve financial balance.**

**41.** 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. The IJB has a robust approach to medium term financial planning covering a seven-year period which supports its Strategic Plan and assesses the affordability of future service delivery. This serves as an impetus for the board to identify measures at an early stage to plug gaps in achieving financial balance in future years.

**42.** The Medium Term Financial Framework (MTFF) and reserves strategy is updated every year. The 2022/23 plan showed a shortfall of funding totalling £35.6 million across the seven years covered by the plan. By 2023/24, the plan funding gap had increased to £49.3 million for the subsequent seven-year period. For all years, the intention is meet the shortfall through service redesign and transformation. As well as budget pressures, the MTFF considers the level of reserves, emerging risks, provides an analysis of existing health and social care services and makes assumptions about projected expenditure.

**43.** The IJB has delivered services either as part of day to day operational service delivery or transformation of services without the need to seek additional funding from partners. Over the seven year period, the IJB has identified approx. £50 million of budget pressures.

**44.** The MTFF aims to provide potential solutions to be worked on during the timeframe to close the forecast funding gap each year. In order to make services more sustainable, the IJB's focus is on service redesign with a key enabler being the re-commissioning of the care at home contract and the strategic redesign and commissioning of the large hospital services for which the IJB has strategic planning responsibility.

## A workforce plan underpinned by clear aims and actions has been approved with work ongoing to develop targets and measurable indicators

**45.** Health and Social Care Partnerships across Scotland have faced significant workforce pressures for a number of years. From a social care perspective, Audit Scotland's [2022 Social care briefing](#) highlighted that the social care workforce has high vacancy rates with many services facing recruitment problems. Together with the increasing demand for social care, this presents a risk to the capacity and quality of social care services.

**46.** Around half of Aberdeen City's health and social care staff are aged over 50 with many likely to retire within 15 years. This coupled with an ageing population and increased co- and multi-morbidity will put a strain on the workforce.

**47.** In November 2022, the IJB approved its Workforce Plan for 2022–2025. In line with Scottish Government requirements, the plan includes population health statistics, an overview of Aberdeen's health and social care workforce, progress since 2019 and there is alignment of the plan with the development of NHS Grampian's Plan for the Future, Aberdeen City Council's workforce plan and the IJB's strategic and financial plans.

**48.** The plan was informed by the results of the most recent workforce survey, shared learning from the impact of Covid-19 and known workforce challenges faced by partnership. Clear aims and key actions have been set out for the next three years in the following areas:

- recruitment and retention - raising awareness of employment and progression opportunities within the partnership and proposed investment in staff training and development
- mental health and wellbeing - supporting staff to achieve a healthy work/life balance, continuing to make best use of flexible and hybrid working
- transformation and opportunities – embracing the use of digital technologies to develop and support the partnership's infrastructure and focus on staff enablement.

**49.** The first annual workforce plan update was provided to the Risk, Audit and Performance Committee in November 2023. While the update was informative, the delivery group has yet to develop specific targets and measurable performance indicators in order that the effectiveness of the plan can be assessed and the success of agreed actions monitored.

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### Recommendation 3

Targets and measures should now be agreed and reported to demonstrate the effectiveness of the workforce plan.

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## We carried out audit work in response to risks relating to financial sustainability identified in our 2022/23 Annual Audit Plan

50. [Exhibit 6](#) sets out the wider scope risks relating financial sustainability we identified in our 2022/23 audit. It summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

### Exhibit 6

#### Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Financial sustainability</b></p> <p>The board acknowledges that while demand for services is increasing, financial resources are not keeping pace. There is a need to explore areas where savings can be made, for example, through robust financial management, service redesign and innovation.</p>	<p>Discussion with officers</p> <p>Monitoring of the financial position throughout the year</p> <p>Consideration of the long-term affordability of budget decisions</p>	Refer to para 41- 44.
<p><b>2. Workforce challenges</b></p> <p>The recruitment and retention of staff is challenging across all health and social care services, particularly in the areas of trauma informed care, complex care and self-directed support. There is a shortage of clinical staff which is a significant risk for sustainable service delivery.</p>	<p>Discussion with officers</p> <p>Review of workforce plan</p>	Refer to para 45-49.

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# 4. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

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## Conclusion

Arrangements should be put in place for the Risk, Audit and Performance Committee, as the body charged with governance, to routinely approve the board's annual accounts. Otherwise, governance arrangements are appropriate and operate effectively.

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## Changes in leadership

**51.** At the first meeting of the IJB following the local government elections in May 2022, the board agreed the appointment of four elected council members, and two members from the NHS Board. Two elected members and two NHS members were then appointed to the committees which support the board, the Risk, Audit and Performance Committee and Clinical and Care Governance Committee. In August 2022, the board approved the appointment of new Chairs to the two committees for the three-year period from 1 November 2022.

**52.** There were also changes in the senior leadership team in summer 2023 with the appointment of a new chief finance officer and the creation of a new chief operating officer post. More recently, there has also been change in chief officer.

## Revisions to the Integration Scheme have been approved

**53.** Integration Schemes require to be updated every five years. The Integration Scheme is the legal document through which Aberdeen City Council and NHS Grampian delegate functions to the IJB. Following consultation, the partner organisations have approved a number of changes to the Integration Scheme, the most significant of which are:

- inclusion of the recently approved Whistleblowing Policy
- more robust reflection of the recently agreed joint Locality Planning arrangements
- more community involvement in planning

- inclusion of hosted Mental Health Services
- the addition of pharmaceutical services under 18's
- creation of a new Chief Operating Officer post.

**54.** The Integration Scheme was approved by the partner organisations and submitted to the Scottish Government for final approval. The Integration Scheme was endorsed by the IJB on 25 April 2023.

**55.** The Integration Scheme is supported by a suite of documents which set out how the IJB will operate and do business, collectively referred to as Scheme of Governance. These comprise Standing Orders, Terms of Reference, Roles and Responsibilities Protocol and Code of Conduct.

### **The Risk, Audit and Performance Committee should scrutinise and approve the annual accounts**

**56.** The terms of reference for the Risk, Audit and Performance Committee state that it is responsible for considering and approving the annual financial statements and related matters. In practice, the committee has considered the unaudited accounts but it is the IJB which has approved the audited accounts.

**57.** An audit committee is usually regarded as the body charged with governance and, as such, would have responsibility for all aspects of a body's financial statements. We would therefore expect that, in this case, the Risk, Audit and Performance Committee would consider the unaudited accounts and, in due course, approve the audited accounts.

**58.** Alongside the audited accounts, the committee would consider the auditor's report. In our view, the committee has more capacity than the board to dedicate time to scrutinising the detail of the accounts and the auditor's report. This would also bring the board's practices into line with the existing terms of reference and provide a more joined-up approach to their handling of the annual accounts.

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## **Recommendation 4**

Arrangements should be put in place for the Risk, Audit and Performance Committee, as the body charged with governance, to routinely approve the board's annual accounts. This would be in line with the committee's existing terms of reference.

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### **Governance arrangements are otherwise appropriate**

**59.** The IJB has a Board Assurance and Escalation Framework (BAEF) which is reviewed annually by the Risk, Audit and Performance Committee (RAPC). The BAEF describes the regulatory framework to support the IJB's visions, values, and principles. Fundamental to the framework are the IJB's strategic priorities and the appetite for risk that exists across said priorities. A key element of the

framework is the risk management system which contributes significantly to assurance on key risks to objectives.

**60.** As set out in the IJB's Financial Regulations, the IJB commissions services from Aberdeen City Council and NHS Grampian. The management of services within each of these organisations continues to be governed by the existing Standing Financial Instructions, Financial Regulations, Schedule of Reserved Decisions, Operational Scheme of Delegation and any other extant financial procedures approved by their respective Governance structures. Any breach or non-compliance with these Regulations must, on discovery, be reported immediately to the Chief Officer or the Chief Finance Officer of the IJB.

**61.** The IJB's Scheme of Governance is reviewed annually. In the past few years, the review was limited to the response to the Covid-19 pandemic but this year a more thorough review was undertaken. In addition, the Leadership Team provides the RAPC with the results of a review undertaken against financial governance requirements contained in the Chartered Institute of Public Finance and Accountancy (CIPFA)'s statement on the 'Role of the Chief Financial Officer in Local Government (2016)'. This year's results were reported to the June 2023 RAPC and assurance has been provided against each of the principles.

### **There is scope to improve the IJB's open and transparent working practices**

**62.** There continues to be an increasing focus on demonstrating the best use of public money. Openness and transparency in how a body operates and makes decisions is key to supporting understanding and scrutiny. Transparency means that the public has access to understandable, relevant, and timely information about how the body is taking decisions and using resources.

**63.** The IJB's Roles and Responsibilities Protocol has been amended to include the new chief operating officer role created in summer 2022. While registers of interests are retained for board members, we noted that two registers were omitted from the website in respect of two non-voting members. Consequently, there is a risk of undeclared interests by board members in relation to matters where they may have influence.

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## **Recommendation 5**

The register of interests should be updated to include all board members and reviewed on a regular basis.

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## **The IJB is committed to delivering Net Zero and produces an annual climate change report in line with Scottish Government guidance**

**64.** The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in

ensuring these targets are met and in adapting to the impacts of climate change.

**65.** The Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015 came into force in November 2015, as secondary legislation made under the Climate Change (Scotland) Act 2009. This requires bodies to prepare reports on compliance with climate change duties. This includes Integration Joint Boards established by order under section 9(2) of the Public Bodies (Joint Working) (Scotland) Act 2014.

**66.** Following a preliminary scoping of work to be undertaken to meet existing and future climate change reporting to Scottish Government, a programme of work was launched in late 2022. The Climate Change Strategic Oversight Group was created to oversee the further scoping and delivery of this work and consists of key members of the partnership's Senior Leadership team and senior climate change representatives from Aberdeen City Council and NHS Grampian.

**67.** In November 2022, the IJB agreed to commit to becoming Net Zero by 2045, and if possible, earlier; and since August 2023, have integrated an impact section on climate change and net zero in all reporting templates. In October 2023, the IJB approved a climate change report for 2022/23. This was submitted to the Scottish Government by 30 November 2023, as required.

**68.** The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

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# 5. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

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## Conclusion

There is an effective performance reporting framework in place but there is scope to focus more on outcomes and impact.

Performance in relation to national measures is generally in line with Scottish averages.

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### **There is an effective performance reporting framework in place but there is scope to focus more on targets, outcomes and impact**

**69.** In line with the Performance Reporting Framework for the IJB Strategic Plan, the Risk, Audit and Performance Committee receives quarterly assurance on progress being made against the Delivery Plan. The quarterly report includes:

- a Delivery Plan Status collated by programme which provides context to the progress being made through colour-coding and percentage completion rates
- a Delivery Plan Progress Tracker provides updates for all projects in the plan – project start and finish dates are shown, use of colour-coding and a narrative update for each project.
- a Delivery Plan Dashboard shows the key measures with supporting narrative which the progression of the Delivery Plan seeks to impact upon For example, Delayed Discharges, Care Home Occupancy, Unmet Need, Emergency Admissions, Hospital at Home Occupancy.

**70.** Colour-coding is used and takes the format of a BRAG (Blue, Red, Amber, Green) status which is useful in assessing progress and highlighting issues requiring more attention. There is an escalation process where significant risks or project delivery concerns are passed to Senior Leadership Team via a Flash Report. This would also apply for any matter assigned a BRAG status of Red. In Quarter 4 for example, two Flash Reports were submitted and these were also included in the performance report to the committee.



**71.** While there is good use of colour-coding and percentages to highlight the progress being made, there could be more use of success factors – targets and outcomes - to measure the aims and impact of the work being done. The dashboard does provide performance data but its not always clear from the reporting how the strategic plan actions relate to the service areas being reported on.

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## Recommendation 6

Consideration should be given to the use of success targets and outcomes when reporting on the impact of the delivery of the strategic plan.

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### IJB performance is generally in line with the Scottish average

**72.** The Public Bodies (Joint Working) (Scotland) Act 2014 requires the IJB to produce an annual performance report covering areas such as assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, and the inspection of services.

**73.** Aberdeen City's Annual Performance Report 2022/23 was presented to the IJB in August 2023. Performance against the Ministerial Steering Group for Health and Community Care indicators was included but the core national indicators data were not available when the report was published. The report also includes narrative on progress against the strategic priorities as set out in the Strategic Plan.

**74.** As shown by Exhibit 7, performance against the Ministerial Steering Group for Health and Community Care indicators is generally in line with the Scottish average. The number of unscheduled hospital bed days has reduced by 4.1% in 2022/23 compared to last year. The IJB attributes this to the work undertaken by teams across the partnership to keep people safe at home, reduce hospital admissions and provide care as close to people's home as possible.

**75.** A&E attendances on the other hand rose by 7.1% but are still around 500 contacts or 12.6% less than pre-Covid figures. Delayed discharge levels have increased by 138 days or 22.7% which is roughly the same result nationally. Initiatives implemented to avoid hospital admissions and reduce delayed discharges include:

- Aligning social work staff to key areas of the hospital, including the frailty wards and at the "front of door" where they can link with community colleagues though locality huddles.
- Building relationships with care at home providers and looking at an enablement focused discharge plan to provide the individual with wrap around support which can be reduced as they regain their independence at home.
- Utilising interim provision at Woodlands Care Home where individuals awaiting care home placement can move to a more homely environment rather than remain in a hospital ward.

## Exhibit 7 National indicators

Indicator	Aberdeen City					Scotland Average		
	2019/20	2020/21	2021/22	2022/23	Overall Trend	Between 2021/22 - 2022/23	Overall Trend between 2019 - 2023	Between 2021/22 - 2022/23
1a. Number of emergency admissions (monthly average)	1824	1582	1700	1661	↓	↓ -2.2%	↓	↓ -2.7%
2a. Number of unscheduled hospital bed days; acute specialties (monthly average)	11943	9125	10634	10194	↓	↓ -4.1%	↑	↓ -0.9%
3a. A&E attendances (monthly average)	3972	2688	3244	3473	↓	↑ +71%	Stable	↑ +2.2%
4. Delayed discharge bed days (monthly average)	1023	494	607	745	↓	↑ +22.7%	↑	↑ +22.4%
5a. Percentage of last six months of life by setting (%)	88.6	91.4	91.0	Not available	Stable		Stable	
6. Balance of care: Percentage of population in community or institutional settings (%)	91.6	92.3	92.1	Not available	Stable		Stable	

Source: Aberdeen City Health and Social Care Partnership Annual Performance Report 2022-23

**76.** Nine national indicators are usually reported by IJBs. Many are in line with the previous year's results and Scottish averages. Areas where the health and social care partnership do not appear to be performing well is the number of days people spent in hospital when they are ready to be discharged, which is reported at sitting at 336 days per 1,000 population. The emergency day rate (per 1,000 population) has increased from 90,126 to 92,026. Also reduced from the previous year is the proportion of care services graded as good or better in care inspections. These have fallen from 78% to 64% and also fall below the national average of 75.2%.

### The IJB has appropriate arrangements in place for securing Best Value

**77.** Integration Joint Boards have a statutory duty to have arrangements to secure Best Value. To achieve this, IJBs should have effective processes for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.

**78.** We have not undertaken any specific Best Value work in 2022/23. However, we considered how members received assurance that arrangements are in place to secure Best Value. Based on our review of governance and performance management arrangements, we consider that the IJB has arrangements in place to secure best value.

# Appendix 1. Action plan 2022/23

## 2022/23 recommendations

Issue	Recommendation	Agreed management action/timing
<p><b>1. Working paper package</b></p> <p>There were gaps in the supporting working papers and audit trails submitted for audit.</p>	<p>Improvement is required to the working paper package provided for audit alongside the unaudited accounts.</p>	<p>Management is currently considering the recommendation and their response.</p>
<p><b>2. Management commentary</b></p> <p>While guidance allows flexibility in terms of the level of performance information included in the management commentary, the initial version of the annual accounts submitted for audit did not provide sufficient detail to allow a reader to fully assess the board's overall performance.</p>	<p>The management commentary should provide a clear and balanced narrative on the performance of the IJB during the year and be supported by financial and non-financial performance information.</p>	<p>Management is currently considering the recommendation and their response.</p>
<p><b>3. Reporting progress against workforce plans</b></p> <p>Workforce planning arrangements set out clear aims and key actions. The recent update provides an information narrative on progress but targets and measurable performance indicators have yet to be developed.</p>	<p>Targets and measures should be agreed and reported to demonstrate the effectiveness of the workforce plan.</p>	<p>Management is currently considering the recommendation and their response.</p>

Issue	Recommendation	Agreed management action/timing
<p><b>4. Arrangements for approving the annual accounts</b></p> <p>Consideration of the unaudited and audited accounts is currently split between the board and the Risk, Audit and Performance Committee. This is not in line with the terms of reference or standard audit committee practices.</p>	<p>Arrangements should be put in place for the Risk, Audit and Performance Committee, as the body charged with governance, to routinely approve the board's annual accounts. This would be in line with the committee's existing terms of reference <u>and will provide a more joined-up approach.</u></p>	<p>Management is currently considering the recommendation and their response.</p>
<p><b>5. Register of interests</b></p> <p>The Register of Interests available on the IJB's website is incomplete.</p>	<p>The register of interests should be updated to include all board members and reviewed on a regular basis.</p>	<p>Management is currently considering the recommendation and their response.</p>
<p><b>6. Strategic plan – measuring impact</b></p> <p>It is not always clear how the strategic planning actions relate to service delivery and improvement.</p>	<p>Consideration should be given to the use of success targets and outcomes when reporting on the impact of the delivery of the strategic plan.</p>	<p>Management is currently considering the recommendation and their response.</p>

# Aberdeen CityAberdeen City Integration Joint Board

## Draft 2022/23 Annual Audit Report

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