



INTEGRATION JOINT BOARD

Date of Meeting	12.02.2019
Report Title	Internal Audit Report – Budget Setting, Monitoring and Financial Reporting
Report Number	HSCP/18/133
Lead Officer	David Hughes, Chief Internal Auditor
Report Author Details	Name: David Hughes Job Title: Chief Internal Auditor Email Address: david.hughes@aberdeenshire.gov.uk
Consultation Checklist Completed	Yes
Directions Required	No
Appendices	None

1. Purpose of the Report

- 1.1. The purpose of this report is to present the outcome from the planned audit of Budget Setting, Monitoring and Financial Reporting that was included in the 2018/19 Internal Audit Plan for the Integration Joint Board.

2. Recommendations

- 2.1. It is recommended that the Audit & Performance Systems Committee:
- a) review, discuss and comment on the issues raised within this report.

3. Summary of Key Information

- 3.1. Resources and budgets have been delegated by NHS Grampian and Aberdeen City Council (the Partners) to the Integration Joint Board (IJB). The IJB issues Directions to the Partners with instructions in terms of funding and service delivery to progress the strategic priorities within the Plan. The Aberdeen City Health and Social Care Partnership operationally delivers the services on behalf of the Partners.



INTEGRATION JOINT BOARD

- 3.2.** Directions issued by the IJB on 27 March 2018 identified a budget of £97.367 million for Aberdeen City Council. NHS Grampian received an allocation of £153.484 million, which included £20.2 million relating to Aberdeen City's share for hosted services. An additional £40.6 million was set aside for large hospital services.
- 3.3.** It is the responsibility of the Chief Officer to ensure services necessary to fulfil the Strategic Plan are delivered within the approved budget. The Chief Finance Officer is responsible for financial planning and providing financial advice to the Chief Officer and the IJB in order to do this, in addition to preparing the Partnership's annual accounts.
- 3.4.** Budgets are currently monitored on a functional basis, however a timetable has been put in place for implementing locality budgets. This change to the budget structure will change the way the budget is monitored and reported to the IJB.
- 3.5.** The Partnership faces the continuing and increasing challenge of an ageing population with complex care needs, coupled with limited funding and rising costs. Budget control and efficient use of resources is therefore one of the most important responsibilities the Partnership has in trying to deliver more integrated and effective health and social care services.
- 3.6.** The objective of this audit was to provide assurance that appropriate arrangements are in place regarding IJB budget setting, monitoring and financial reporting. In general, this was demonstrated to be the case, however recommendations have been made and actions agreed with the Chief Finance Officer as follows.
- 3.7.** It was not possible, without further explanation, to reconcile the original budget to the revised budget by reference to the virements applied. In order to provide greater assurance over this area it has been agreed that the audit trail will be improved by the start of the new financial year.
- 3.8.** The IJB has been using Integration and Change Funding to cover funding gaps in the budget for mainstream services. This could mean a reduction in the delivery of the transformation programme, which is anticipated to



INTEGRATION JOINT BOARD

generate savings, and may not be sustainable. It has been agreed that the IJB funding and transformation strategies will be reviewed to demonstrate that plans are in place to deliver mainstream health and social care services within budget. This will be achieved through the annual refresh of the Medium Term Financial Strategy.

- 3.9. The Scheme of Integration and the IJB's Financial Regulations require that the Chief Finance Officer receives budget, actual and forecast figures from the partner organisations each month. Currently, only NHS Grampian figures are received by the Chief Finance Officer on a monthly basis. However, the Partnership is satisfied that the current reporting arrangements are adequate and will amend the Financial Regulations as appropriate.
- 3.10. Working papers are produced as part of the budget monitoring process. Whilst they were considered to be adequate, the assurance that they provide could be increased if they contained evidence of figures used from the ledger along with improved narrative and explanation where amendments have been made or estimates used. The Chief Finance Officer has agreed to ensure that working papers are enhanced as recommended.
- 3.11. There are delays in providing budget monitoring information to the Board, for example, the December 2017 data was presented to the Board on 2 March 2018. This provides little opportunity for the Board to take action if considered necessary to influence the year-end outturn. Management has stated that there are limited opportunities to report budget monitoring information due to the timing of the IJB and Audit & Performance Systems meetings. In order to close this gap, management has stated that they will send a bulletin item to Board members in early February highlighting the financial position to the end of quarter three. Whilst this will assist in providing information, it will not provide an opportunity for discussion and action in response to variances.

4. Implications for IJB

- 4.1. **Equalities** – An equality impact assessment is not required because the reason for this report is for Committee to discuss, review and comment on



INTEGRATION JOINT BOARD

the contents of an Internal Audit report and there will be no differential impact, as a result of this report, on people with protected characteristics.

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 effective performance reporting and use of Key Performance Indicators will help the IJB deliver on all strategic priorities as identified in its strategic plan.

6. Management of Risk

6.1. Identified risks(s): The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal 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.

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