

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	30 April 2019
REPORT TITLE	Internal Audit Report AC1915 – Aberdeen City Integration Joint Board Budget Setting, Monitoring and Financial Reporting
REPORT NUMBER	IA/AC1915
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the outcome of an audit that was included in the Aberdeen City Integration Joint Board Internal Audit plan for 2018/19.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee notes this report.

3. BACKGROUND / MAIN ISSUES

- 3.1 The Aberdeen City Integration Joint Board Audit and Performance Systems Committee agreed on 11 August 2016 that outputs from audits relating to the IJB would be reported, for information, to the Audit Risk and Scrutiny Committee. The Audit and Performance Systems Committee subsequently decided that it wished to receive summary reports from Internal Audit rather than the full report.
- 3.2 The following summary relates to a review of Budget Setting, Monitoring and Financial Reporting that was reported to the Audit and Performance Systems Committee on 12 February 2019. That Committee resolved to note the report.

4. SUMMARY OF INTERNAL AUDIT REPORT

- 4.1 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.
- 4.2 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.
- 4.3 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.
- 4.4 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.
- 4.5 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.
- 4.6 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.
- 4.7 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.
- 4.8 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 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.
- 4.9 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.

- 4.10 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.
- 4.11 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.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no direct financial implications arising from the recommendations of this report.

6. LEGAL IMPLICATIONS

- 6.1 There are no direct legal implications arising from the recommendations of this report.

7. MANAGEMENT OF RISK

- 7.1 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 attached appendix.

8. OUTCOMES

- 8.1 There are no direct impacts, as a result of this report, in relation to the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place, or Enabling Technology, or on the Design Principles of the Target Operating Model.
- 8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Data Protection Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

10. REPORT AUTHOR DETAILS

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