



RISK, AUDIT AND PERFORMANCE COMMITTEE

Date of Meeting	26.08.2020
Report Title	Internal Audit Annual Report 2019/20
Report Number	HSCP20.028
Lead Officer	David Hughes, Chief Internal Auditor
Report Author Details	David Hughes Chief Internal Auditor david.hughes@aberdeenshire.gov.uk
Consultation Checklist Completed	Yes
Appendices	Appendix A – Progress with Planned Work. Appendix B – Internal Audit Annual Report for the year ended 31 March 2020. Appendix C – Progress with implementation of agreed recommendations.

1. Purpose of the Report

- 1.1. The purpose of this report is to provide the Committee with Internal Audit's Annual Report for 2019/20.

2. Recommendations

It is recommended that the Risk, Audit and Performance Committee:

- 2.1. Note the Internal Audit Annual Report 2019/20;
- 2.2. Note that the Chief Internal Auditor has confirmed the organisational independence of Internal Audit;
- 2.3. Note that there has been no limitation to the scope of Internal Audit work during 2019/20; and



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- 2.4. Note the progress that management has made with implementing recommendations agreed in Internal Audit reports.

3. Summary of Key Information

- 3.1. It is one of the functions of the Integration Joint Board Risk, Audit and Performance Committee to review the activities of the Internal Audit function, including its annual work programme.
- 3.2. The Internal Audit plan for 2019/20 was agreed by the Committee on 28 May 2019. The plan consisted of one audit for the IJB with a further audit agreed by Aberdeen City Council's Audit, Risk and Scrutiny Committee relating to Adult Social Care in the Council, and others by NHS Grampian's Audit Committee in relation to audits for that body.
- 3.3. The resultant outputs are reported as follows:
- IJB Internal Audit reports reported to the IJB Risk, Audit and Performance Committee in the first instance and thereafter to the Aberdeen City and NHS Grampian Audit Committees.
 - Aberdeen City Council Adult Social Care audits reported to Aberdeen City Council's Audit, Risk and Scrutiny Committee in the first instance and thereafter to the IJB Risk, Audit and Performance Committee.
 - Audits in NHS Grampian to the NHS Grampian Audit Committee in the first instance and thereafter to the IJB Risk, Audit and Performance Committee for relevant audits.
- 3.4. Appendix A to this report details the position with audits contained in the 2019/20 plan and those carried forward from 2018/19.
- 3.5. It is considered that sufficient work was completed during the year, or was sufficiently advanced by the year-end, on which to base the conclusion drawn in the annual Internal Audit Report. This is supplemented by review of other relevant documentation, including Integration Joint Board and Risk, Audit and Performance Committee papers, and the assessment of risk undertaken (by both Internal and External Audit) in updating the Internal (and External) Audit plan(s).
- 3.6. Internal Audit's annual opinion is attached as Appendix B, and concludes that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's framework of governance, risk management



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and control in the year to 31 March 2020.

- 3.7. Aberdeen City Council's Audit, Risk and Scrutiny Committee will consider Internal Audit's annual report on the Council on 8 October 2020. It concludes that reasonable assurance can be placed on Aberdeen City Council's framework of governance, risk management and control in the year to 31 March 2020.
- 3.8. NHS Grampian's Audit Committee will consider their Internal Auditors annual report on 21 July 2020. An update will be provided to the Risk, Audit and Performance Committee should there be any issues that require to be reported.
- 3.9. The Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor report to Senior Management and the Board on the outcome of Internal Audit's Quality Assurance and Improvement Plan (QAIP). The required review has been completed, and the results will be reported to Aberdeen City Council's Audit, Risk and Scrutiny Committee on 8 October 2020. In general, the conclusion was that Internal Audit generally complies with the requirements and no action is required to address any issues.
- 3.10. The Standards also require that Internal Audit confirms to the Board, at least annually, that it is organisationally independent. The organisational independence of Internal Audit is established through Financial Regulations (approved by the Board on 29 March 2016). Other factors which help ensure Internal Audit's independence are that: the Internal Audit plan is approved by the IJB Risk, Audit and Performance Committee; and Internal Audit reports its outputs to Committee in the name of the Chief Internal Auditor. The Chief Internal Auditor considers that Internal Audit is organisationally independent.
- 3.11. There is also a requirement to report any instances where the scope of Internal Audit's work has been limited. During 2019/20, there have been no such limitations.
- 3.12. Internal Audit Standards require that Internal Audit implement a system to monitor the implementation of agreed recommendations by management arising from its reports. Appendix C to this report shows the progress that IJB management has made with implementing such recommendations.



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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 the contents of the Internal Audit Annual Report for 2019/20 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. Internal Audit's role is to provide assurance regarding the adequacy and effectiveness of the Integration Joint Board's framework of governance, risk management and control. Each of these areas helps ensure that the IJB can 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:** The Internal Audit Plan is developed following consideration of the Aberdeen City Health and Social care Partnership Risk Register and through consultation with management.
- 6.3. **How might the content of this report impact or mitigate these risks:** Where risks are identified during the Internal Audit process, recommendations are made to management in order to mitigate these risks.



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APPENDIX A

Service	Audit Topic	Position
2018/19 Planned Audit Work Completed in 2019/20		
Integration Joint Board	IJB Directions	Complete July 2019 Reported to A&PS Committee 29.10.19
Aberdeen City Council Adult Social Work	Charging Policy	Complete June 2019 Reported to A&PS Committee 29.10.19

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Service	Audit Topic	Position
2019/20 Planned Audit Work		
Integration Joint Board	Risk Management	Complete January 2020 Reported to RA&P Committee 25.02.20
Aberdeen City Council Adult Social Work	Commissioned Services – Contract Monitoring	Complete June 2020. Due to be reported to the Aberdeen City Council Audit, Risk and Scrutiny Committee on 8 October 2020 and the Integration Joint Board Risk, Audit and Performance Committee thereafter.

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Appendix B

Internal Audit Annual Report for the year ended 31 March 2020

As Chief Internal Auditor of Aberdeen City Integration Joint Board, I am pleased to present my annual statement on the adequacy and effectiveness of the Board's framework of governance, risk management and control for the year ended 31 March 2020. The purpose of this statement is to assist the Chief Financial Officer in forming his opinion in relation to the Annual Governance Statement to be included in the Annual Accounts.

Opinion

It is my opinion that 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 2020.

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

Basis of Opinion

My evaluation of the control environment is informed by a number of sources:

- The audit work completed by Internal Audit during the year to 31 March 2020 in relation to the Integration Joint Board and relevant areas within Aberdeen City Council;
- Progress made with implementing agreed Internal Audit recommendations;
- The assessment of risk completed during the updating of the audit plan;
- Reports issued by the Board's external auditors;
- Internal Audit's knowledge of the Board's and Aberdeen City Council's framework of governance, risk management and performance monitoring arrangements.
- Consideration will be given to the contents of NHS Grampian's Internal Audit annual report when available.



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Respective responsibilities of management and internal auditors in relation to internal control

It is the responsibility of the Board's senior management to establish an appropriate and sound system of internal control and to monitor the continuing effectiveness of that system. It is the responsibility of the Chief Internal Auditor to provide an annual overall assessment on the adequacy and effectiveness of the Board's framework of governance, risk management and control.

Sound internal controls

The main objectives of the Board's internal control systems are to:

- ensure adherence to management policies and directives in order to achieve the organisation's objectives;
- safeguard assets;
- ensure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- ensure compliance with statutory requirements.

Any system of control can only ever provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud, or breaches of laws or regulations. Accordingly, the Board is continually seeking to improve the effectiveness of its systems of internal control.

The Work of Internal Audit

Internal Audit is an independent appraisal function established by the Board for the review of the framework of governance, risk management and control as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

The section undertakes an annual programme of work agreed with Chief Officers and the Risk, Audit and Performance Committee. The audit plan is based on a risk assessment process which is revised on an ongoing basis to reflect evolving risks and changes.

All Internal Audit reports identifying system weaknesses, non-compliance with expected controls, and / or assurance of satisfactory operation are brought to the



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attention of management and include appropriate recommendations and agreed action plans. It is management's responsibility to ensure that proper consideration is given to Internal Audit reports and that appropriate action is taken on audit recommendations. The Internal Auditor is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action.

**David Hughes,
Chief Internal Auditor,
Aberdeen City Integration Joint Board
2 April 2020**

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Appendix C

POSITION WITH AGREED RECOMMENDATIONS INCLUDED IN INTEGRATION JOINT BOARD

INTERNAL AUDIT REPORTS

AS AT 18 AUGUST 2020

Note: This is on an exception basis, where all recommendations in a report have been implemented, the report is not shown.



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KEY TO COLOURING USED

Recommendation Grading	Definition
Major	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation. Financial Regulations have been consistently breached.
Significant	Addressing this issue will enhance internal controls. An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on a system's adequacy and effectiveness. Financial Regulations have been breached.
Important	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.

Period Recommendation Overdue
Recommendation overdue by more than 12 months
Recommendation overdue by between 6 to 12 months
Recommendation overdue by less than 6 months



Risk, Audit and Performance Committee

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.06.20	Confirmed Implemented by Service	Not implemented by original due date	

AC1724	Health and Social Care Post Integration Review	September 2017	11	11	10	1	1 Significant
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The position with the overdue recommendation is as follows:

Chief Officer	Overdue Recommendation	Grading / Due Date	Position
Chief Finance Officer	The IJB should develop an asset management strategy (2.3.7)	Significant June 2018	<p>The Service has advised that this had been delayed due to other capital planning priorities and would be complete by the end of December 2018.</p> <p>The action was further delayed, as the focus over the last year has been on moving forward the primary care projects per the deadlines. It was anticipated that the asset management strategy would be completed by December 2019.</p> <p>The Service now considers that its present asset strategy is spread through a number of documents, and it is looking to review this following COVID and associated changes in the health and social care system. This will be completed by October 2020</p>



Risk, Audit and Performance Committee

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.06.20	Confirmed Implemented by Service	Not implemented by original due date	
AC1924	IJB Directions	July 2019	3	3	2	1	1 Significant
The position with the overdue recommendation is as follows:							
Chief Officer	Overdue Recommendation	Grading / Due Date	Position				
Chief Finance Officer	The Service should develop and implement regular consolidated Directions progress monitoring for the IJB (2.3.4)	Significant March 2020	This action was delayed due to Covid 19. The Service intends to submit proposals to the September 2020 Risk, Audit and Performance Committee.				



Risk, Audit and Performance Committee

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.06.20	Confirmed Implemented by Service	Not implemented by original due date	

AC2011	Risk Management	January 2020	9	9	7	2	2 Important
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The position with the overdue recommendation is as follows:

Chief Officer	Overdue Recommendation	Grading / Due Date	Position
Chief Finance Officer	The Service should review the requirement for a risk management policy separate to the Board Assurance and Escalation Framework (2.1.5)	Important	Implementation of this recommendation was extended to July 2020 to allow for approval of BAEF. This is on the agenda for the August 2020 Risk, Audit and Performance Committee
		April 2020	
Chief Finance Officer	The Service should schedule risk identification exercises (2.2.4)	Important	Implementation of this recommendation was extended to July 2020 to allow for approval of BAEF. This is on the agenda for the August 2020 Risk, Audit and Performance Committee
		April 2020	