



RISK, AUDIT AND PERFORMANCE COMMITTEE

Date of Meeting	27 April 2021
Report Title	Internal Audit Annual Report 2020/21
Report Number	HSCP.21.044
Lead Officer	Colin Harvey, Chief Internal Auditor (Interim)
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Consultation Checklist Completed	Yes
Appendices	Appendix A – Progress with Planned Work. Appendix B – Internal Audit Annual Report for the year ended 31 March 2021.

1. Purpose of the Report

- 1.1. The purpose of this report is to provide the Committee with Internal Audit's Annual Report for 2020/21.

2. Recommendations

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

- 2.1. Note the Internal Audit Annual Report 2020/21;
- 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 2020/21; and
- 2.4. Note the progress that management has made with implementing recommendations agreed in Internal Audit reports.



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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 2020/21 was agreed by the Committee on 25 February 2020. The plan consisted of one audit for the IJB with a further three audits agreed by Aberdeen City Council's Audit, Risk and Scrutiny Committee relating to Adult Social Care in the Council; another in respect of Bon Accord Care; 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 2020/21 plan and those carried forward from 2019/20.
- 3.5. The 2020/21 Internal Audit plan was based on the Internal Audit Section being fully staffed during the year. However, Internal Audit's resources have been constrained due to the direct and indirect impacts of Covid 19 on team absences, a vacant Assistant Auditor post, and a temporary vacancy arising following the retirement of the former Chief Internal Auditor. It is estimated that around 20% of the Section's capacity during the year was lost for these staffing reasons.
- 3.6. 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



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(and External) Audit plan(s).

- 3.7. The volume of work completed during 2020/21 is less than previous years, due to the impact of Covid 19 on the resources and capacity of the Internal Audit team and of audited Services. Whilst this leads to a reduction in the sources of assurance available on which to form an opinion, reliance has been placed on the previous body of work completed by Internal Audit and reported progress with management implementation of agreed Internal Audit recommendations. Consideration has been given as to whether this amounts to a limitation of the scope of Internal Audit's activities, and it is considered that for 2020/21 a one-off reduction in the number of completed audits will not have a material impact. Should the situation extend to significantly impact work planned in 2021/22 and beyond, further consideration will be given to the level of assurance which Internal Audit can provide.
- 3.8. 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 and control in the year to 31 March 2021.
- 3.9. Aberdeen City Council's Audit, Risk and Scrutiny Committee will consider Internal Audit's annual report on the Council on 12 May 2021. 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 2021.
- 3.10. NHS Grampian's Audit Committee will consider their Internal Auditors annual report in due course. An update will be provided to the Risk, Audit and Performance Committee should there be any issues that require to be reported.
- 3.11. 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 25 May 2021. In general, the conclusion was that Internal Audit complies with the majority of the requirements. An action plan is being put forward to drive continuous improvement.
- 3.12. 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



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(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.

- 3.13. There is also a requirement to report any instances where the scope of Internal Audit's work has been limited. During 2020/21, except to the extend discussed at 3.7 above, there have been no such limitations.
- 3.14. Internal Audit Standards require that Internal Audit implement a system to monitor the implementation of agreed recommendations by management arising from its reports. A system is in place, and all recommendations previously agreed with management in respect of the Integration Joint Board have been implemented.

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 2020/21 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.



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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
2019/20 Planned Audit Work Completed in 2020/21		
Aberdeen City Council Adult Social Work	Commissioned Services – Contract Monitoring	Complete June 2020. 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 26 January 2021.



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Service	Audit Topic	Position
2020/21 Planned Audit Work		
Aberdeen City Integration Joint Board	Performance Management	Commenced September 2020
Aberdeen City Council Adult Social Work	Contributing to Your Care Policy	Deferred to 2022/23 at the request of management, pending implementation of changes in this area and a new care management system
	Information exchange between Housing / IJB	Removed from the 2020/21 plan as an external audit by the DWP was in progress to provide assurance over this area.
	Mental Health and Substance Abuse	Commenced January 2021
Bon Accord Care	Budget Monitoring	Commenced December 2020



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Appendix B

Internal Audit Annual Report for the year ended 31 March 2021

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 2021. 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 2021.

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 2021 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 attention of management and include appropriate recommendations and agreed



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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.

Colin Harvey,
Chief Internal Auditor (Interim),
Aberdeen City Integration Joint Board
5 April 2021