



Aberdeen City Health & Social Care Partnership
A caring partnership



Internal Audit

Annual Assurance Report and Chief Internal Auditor Opinion 2021-22

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1 Executive Summary

1.1 Introduction and background

Internal Audit's (IA) primary role is to provide independent and objective assurance on the Integrated Joint Board's (IJB) risk management, control, and governance processes. This requires a continuous rolling review and appraisal of the internal controls of the Board involving the examination and evaluation of the adequacy of systems of risk management, control, and governance, making recommendations for improvement where appropriate. Reports are produced relating to each audit assignment and presented when finalised to the Risk, Audit and Performance Committee. Along with other evidence, these reports are used in forming an annual opinion on the adequacy of risk management, control, and governance processes.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Public Sector Internal Audit Standards set the mission of IA as to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.

1.2 Purpose of this report

Public Sector Internal Audit Standards require that Internal Audit produce an annual report on the adequacy and effectiveness of the Board's framework of governance, risk management and control. It is one of the functions of the Risk, Audit and Performance Committee to review the activities of the Internal Audit function, including its annual work programme.

This report is designed to meet three objectives; to present to the Risk, Audit and Performance Committee, and through them, the IJB:

- A formal opinion on the adequacy and effectiveness of the Board's arrangements for:
 - Governance
 - Risk management
 - Internal control
- A narrative over the key strategic and thematic findings from the assurance work undertaken by IA during 2021-22, drawing out key lessons to be learned.
- An account of the assurance activities and resources of IA during the period 2021-22.

This report covers the period from 1 April 2021 to 31 March 2022 and any work finalised during the 2021-22 assurance period. It also takes account of work undertaken up to the date of the issue of this report, 13 June 2022. The report is

grounded in the whole activity and work of IA, whether in terms of formal audit evidence and work, management assurance and consultancy activity, or evidence gathered throughout wider engagement across the Board and Council overall.

1.3 Conclusion

The overall Chief Internal Auditor's opinion is:

In my opinion the Board had an adequate and effective framework for Governance, Risk Management and Control, covering the period 1 April 2021 to 31 March 2022.

For further commentary see the Annual Assurance Opinion section below.

1.4 Action requested of the Risk, Audit and Performance Committee

The Risk, Audit and Performance Committee is requested to note the contents of this report and the assurance opinion, to inform its annual report and its review of financial statements, in particular the governance statement.

2 Annual Assurance Opinion

2.1 Basis of annual assurance opinion

In accordance with the Public Sector Internal Audit Standards, our assessment and opinion over the framework of governance, risk management and control are based upon the whole activity and work of IA including:

- The results of internal audits completed (in final or draft) up to the date of this report (13 June 2022).
- Any follow-up action taken in respect of audits from previous periods.
- The effects of any significant changes in the Board's control environment.
- Matters arising from previous annual reports to the Board.
- Any limitations that may have been placed on the scope of IA – we have no restrictions to declare in this report, although we have performed all audits remotely this year and some physical verification work has not been possible.
- Reports issued by the Board's external auditors.
- Internal Audit's knowledge of the Board and the Council's governance, risk management and performance monitoring arrangements.
- The assessment of risk completed during the formation of the 2022-25 Audit Plan.
- The results of other assurance activities completed during the year.
- Consideration will be given to the contents of NHS Grampian's Internal Audit annual report when available.

The Standards also require that Internal Audit confirms to the Committee, at least annually, that it is organisationally independent. The organisational independence of Internal Audit is established through Financial Regulations (approved by the Board) and the Internal Audit Charter (approved by the Risk, Audit and Performance Committee). 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.

2.2 Annual assurance opinion 2021-22

We are satisfied that sufficient internal audit and assurance work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Board's framework for governance, risk management and control. The Board had an adequate and effective framework for Governance, Risk Management and Control, covering the period 1 April 2021 to 31 March 2022.

2.3 Rationale for the opinion

It is the responsibility of 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 of the robustness of the internal control system.

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

- Ensure adherence to management policies and directives 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.
- 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 Board has faced its second year of unprecedented challenges and its control framework and governance arrangements have come under sustained and significant pressure; primarily as it adapted to the COVID-19 pandemic.

Consideration has been given during the year to the impact on the level of assurance available, and we are satisfied that in the short term this has not had a material impact. Our work has been and remains cognisant of the risks to internal control from changes introduced in response to the pandemic.

Throughout the year our audit work found that the Board's systems have flexed, adapted, and largely held up despite this significant strain. We consistently found that management was aware of the risks it was dealing with and taking steps to mitigate and manage them as best they could within the constraints created by the pandemic.

On balance, most of the audited areas were operating as anticipated. Areas of good practice, improvement, and procedural compliance have been identified and these have been detailed in individual assignment reports to the Committee. Most recommendations made by Internal Audit related to general improvements to procedures, and the requirement to evidence adherence to them.

Analysis of the findings of our reports issued within the year highlights positively that in many cases there were minimal findings, with all at the significant or important levels. This reflects a strong control environment and the need for us to only make recommendations around the general improvement of controls, the improvement of efficiency and the drive for Best Value. However, across the reports issued during the year, we did note the following:

- **Care Establishments Review** – Controls are in place however, issues were identified in the consistency of their application, particularly in respect of management of cash transactions. Improvements agreed with the Service will increase assurance over these areas. We also noted two breaches of Financial Regulations concerning once instance of a lack of a PO and another concerning the lack of appropriate authorisation.

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- **Mental Health and Substance Abuse** – While requiring some legislation updates the Partnership has written procedures covering the assessment process and recording on the care management system. The Partnership’s process of assessing client needs and subsequent referral to the appropriate support package is carried out by qualified staff at the appropriate level. Approval of these packages is governed by the Adult Services Resource Allocation Panel (RAP) which provides a good segregation of duties between those assessing and approving expenditure. During the pandemic, the panel did not meet, and the approval process was delegated to Service Managers. While this was appropriate to provide ongoing client support, the terms of reference covering the RAP did not fully support this level of delegation. Testing did not find any packages allocated during this period to be inappropriate in terms of client need.
 - **Bon Accord Care Budget Monitoring** – As this is an ALEO, there is limited impact on the Council's control environment, but it has an impact on Council finances and reputation. Our conclusions were around the need to tighten up the control environment, and a focus on documenting institutional knowledge.

2.4 Areas of risk for future IA focus

In addition to the points above continuing to be areas of focus for the Board, in the year there will be significant new risk areas for us to consider. The specific risk and control areas in the upcoming year that we intend to focus on to a greater degree include:

- Collaborative working
- Care Reform
- Other emerging risks identified during the year

2.5 Follow up of audit recommendations

Public Sector Internal Audit Standards require that Internal Audit report the results of its activities to the Committee and establishes a follow-up process to monitor and ensure that management actions have been effectively implemented.

During 2021-22 eight agreed actions have been completed, including six completed since our last update to the Committee. There are currently no overdue actions.

Where this is not necessarily a concern for the IJB, recognising the implementation of audit recommendations as an area where more work could be done in general, over the coming months, Internal Audit will lead an exercise aimed at supporting management on the closure of audit recommendations. This will primarily focus on recommendations made to Aberdeen City Council but will also incorporate those in relation to the IJB. This will not move the bar but through engagement beyond the routine follow up exercise, we hope to close out as many actions as possible and leave only those actions that were rightly ongoing for management to focus on.

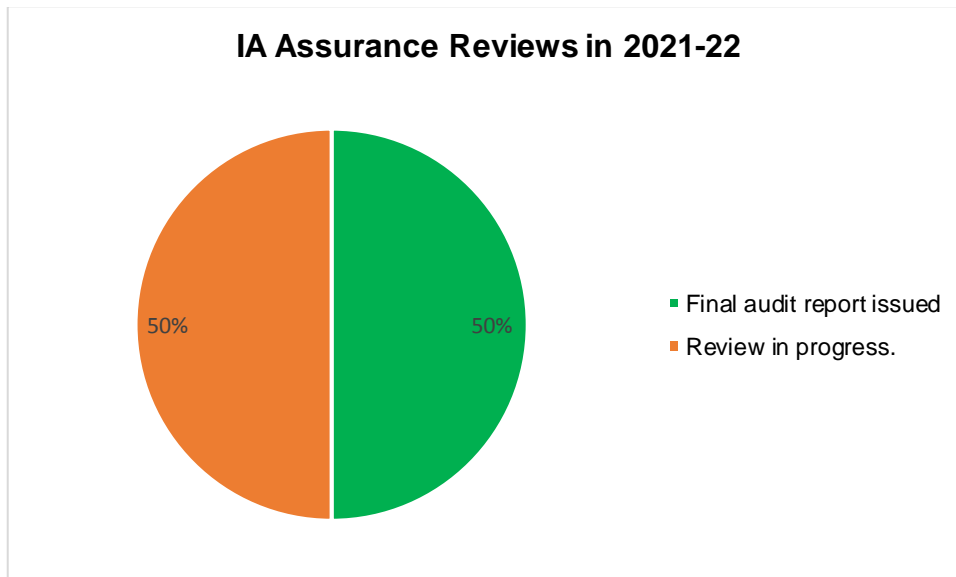
Updates on audit recommendations implementation will be provided to the Committee as part of our standard reporting, with a detailed update on the outcomes of our follow

up exercised presented to the next session of the Committee. Given the ongoing nature of the follow up, and the upcoming comprehensive update, we have not presented details of individual outstanding recommendations as part of this report.

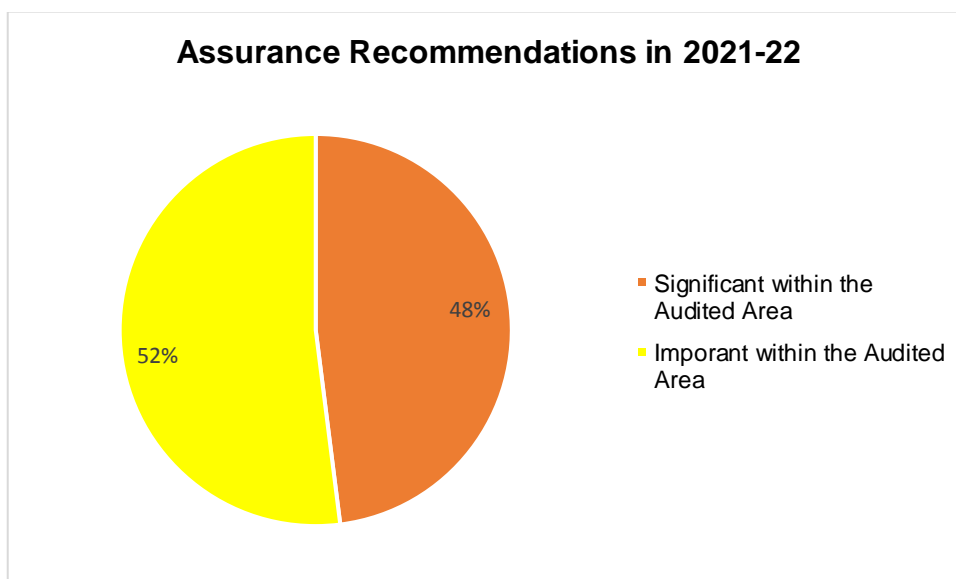
3 Audit Results

3.1 In year audit results

Across the year, irrespective of the period initially planned for the review, we issued three audit reports, with a further three currently work in progress. These reviews span the entire breadth of operations, touching on not just the IJB but the Health and Social Care Partnership overall. For those reviews currently work in progress, we have set an internal deadline to ensure that these are all completed by the end of Q2. Given the current progress of the reviews we believe this to be manageable and will also limit the impact of legacy work on our assurance plan for 2022-23.



Across the three audit reports issued, we made 25 recommendations: 12 considered Significant within the Audited area, and 13 considered Important within the audited area. 100% of recommendations made during the year were accepted by management.



This section highlights the results of our work in 2021-22, including finalisation of legacy 2020-21 reviews. It should however be noted that:

- Previous years' work, issued in the current year, is considered for and factors into our annual assurance opinion.
- Work in progress, where the report is at a draft stage, is also considered for and factors into our annual opinion.
- The deferral of audits was taken in consultation with management and also at their request.
- For all assurance reviews, we ensured that they were at the work in progress stage by year end. The majority are beyond this stage and draft reports are being finalised with the process owners for the areas under review.

Summaries are also included of fraud assurance, consultancy and other work performed by IA.

3.2 2020-21 Audits

| Council Area | Audit Area | Position |
|--------------|-----------------------------------|---------------------------|
| HSCP | Mental Health and Substance Abuse | Final audit report issued |
| HSCP | Bon Accord Care Budget Monitoring | Final audit report issued |
| IJB | IJB Performance Management | Review in progress |

3.3 2021-22 Audits

| Council Area | Audit Area | Position |
|--------------|----------------------------|---------------------------|
| HSCP | Care Establishments | Final audit report issued |
| HSCP | Care Management | Review in progress |
| IJB | Transformational Programme | Review in progress |

3.4 Counter Fraud

We do not have a dedicated responsibility across the Board to lead on Counter Fraud activities, this instead within the remit of a separate inhouse team of Aberdeen City Council, with NHS Grampian utilising NHS counter fraud services. The potential for fraud is however considered as part of all reviews carried out by Internal Audit from a control framework perspective.

3.5 Post year end assurance

The information presented in the above tables and charts, concerning audit work and recommendations covers the period 1 April 2021 to 31 March 2022. However, since year end we have progressed our 2021-22 work and issued a further report (IJB Performance Management). The assurance gained from this has been factored into the wider report and opinion overall for 2021-22. Our priority over the coming months will be to finalise the 2021-22 audit work and deliver on our already commenced 2022-23 Audit Plan.

4 IA Performance

4.1 Quality assurance and improvement plan

The Public Sector Internal Audit Standards (PSIAS) require that the annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme (QAIP).

In previous reports we updated the Committee on our work to address previously noted issues; the main driver for these being our internal quality assessment.

We are pleased to confirm that an internal review of our control framework has concluded that we fully conform with PSIAS. An External Quality Assessment, which will test our fully compliant assessment, is currently underway and will be presented to the Aberdeen City Council Audit, Risk and Scrutiny Committee when finalised.

Complete details of the QAIP (including KPIs) have been presented to the Audit, Risk and Scrutiny Committee as part of the Council's overall Annual Audit Report and Opinion.

4.2 Staffing

Throughout the year we have had several changes to staffing and resources, including the recruitment of a new Chief Internal Auditor.

At present we are operating with a 12.6 FTE, 0.4 FTE under budget.

4.3 Methodology

This report and the annual opinion contained within is based on assurance work completed under the historical IA methodology.

However, over the past few months, Internal Audit has carried out a methodology refresh exercise. This refresh mostly focused on the scoping and the report stages (encompassing new assurance terms and rating scales); we are not suggesting any fundamental changes in how we carry out our audits. The refresh is instead focused on ensuring we scope audits to set us up for the best reviews, and how we report to ensure our messages land with the most impact and support auditees to take our recommendations forward.

These changes went live in April 2022 but only for audits as part of the 2022-25 plan. For any audits underway currently, or from previous years, we will continue to use the historic methodology.

The methodology refresh is however considered a work in progress. It is expected that there will be further changes to the methodology going forward, which the Committee will be kept updated on.

5 Appendix 1 – Grading of Recommendations

| GRADE | DEFINITION |
|---|--|
| Major at a Corporate Level | 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, to the Council. |
| Major at a Service Level / within audited area | <p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p> |
| Significant within audited area | <p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system's adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p> |
| Important within audited area | 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. |