



Aberdeen City Health & Social Care Partnership
A caring partnership



Internal Audit

Annual Assurance Report and Chief Internal Auditor Opinion 2024/25

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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 IA 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 IA 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 it, 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 2024/25, drawing out key lessons to be learned.
- An account of the assurance activities and resources of IA during the period 2024/25.

This report covers the period from 1 April 2024 to 31 March 2025 and any work finalised during the 2024/25 assurance period. It also takes account of work undertaken up to the date of the issue of this report. 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 2024 to 31 March 2025.

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, IA's assessment, and opinion over the framework of governance, risk management and control is 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.
- 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 – IA has no restrictions to declare in this report.
- Reports issued by the Board's external auditors.
- IA'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 2025-28 Audit Plan.
- The results of other assurance activities completed during the year.
- The work of NHS Grampian's Internal Auditors covering those services that the Health Board leads on behalf of the IJB¹.

The Standards also require that IA confirms to the Committee, at least annually, that it is organisationally independent. The organisational independence of IA is established through Financial Regulations (approved by the Board and the Council) and the Internal Audit Charter (approved by the Council's Audit, Risk and Scrutiny Committee). Other factors which help ensure IA's independence are that: the IA plan is approved by the IJB Risk, Audit and Performance Committee; and IA reports its outputs to Committee in the name of the Chief Internal Auditor. The Chief Internal Auditor considers that IA is organisationally independent.

2.2 Annual assurance opinion 2024/25

IA is satisfied that sufficient audit and assurance work has been undertaken to allow a reasonable conclusion to be drawn as to the adequacy and effectiveness of the Board's framework for governance, risk management and control. Aberdeen City IJB had an adequate and effective framework for governance, risk management and control, covering the period 1 April 2024 to 31 March 2025.

¹ NHS Grampian delivers a range of HSCP services on behalf of the IJB. The responsibility for auditing these services falls to NHS Grampian's own internal auditors, and as such there will be no reference in this report to actual results, findings and recommendations. This report instead focuses on those services that the IJB's IA has direct oversight over. However, regular catch ups are held between the IJB's IA and NHS Grampian's IA to discuss any relevant issues, with reports shared as necessary. These discussions and reports are factored into the assurance assessment overall.

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 another year of challenges, and its control framework and governance arrangements have come under pressure; primarily financial. These challenges are not localised to Aberdeen City, however the widespread concerns across IJBs does not mitigate the issue being faced. Consideration has been given during the year to the impact on the level of assurance available and IA's work has been and remains cognisant of the risks to internal control from changes introduced in response to the operational needs, staff attrition and also external events.

During 2024/25, IA has completed four reviews across the IJB and Health and Social Care Partnership Services delivered by the Council.

The conclusions from the individual reports are listed below²:

- **Social Care Financial Assessments (HSCP)** – The level of net risk is assessed as **MAJOR**, with the control framework deemed to provide **LIMITED** assurance over the Council's arrangements for completing social care financial assessments. The Non-Residential Charging Policy: "Contributing to your care", was agreed by the Council (City Growth and Resources Committee) on 6 June 2019, updating a previously approved policy from 2015 which had not been implemented pending health and social care integration. The 2019 Policy, which was to be implemented from 1 July 2019, is published on the Health and Social Care Partnership's website and sets out defined methods of calculating required contributions to the cost of service users' care. However, this Policy has not been implemented in practice. The Service has referenced the impact of COVID-19 (March 2020 onwards) and implementing a new Care Management System (October 2022) and bases current practice on Policy originally determined in 2011, amended for changes in costs and benefits. The

² HSCP relates to those reviews of services that the Council delivers on behalf of the IJB. IJB relates to those services that the IJB delivers strategically or through various partners.

Service commenced a review of charging policy implementation in November 2023 with a view to implementing further agreed charges, developing training and practice to support its application, and to update the Policy again to reflect current requirements. It is intended to report to the Finance and Resources Committee in August 2024 with a proposed new Non-Residential Charging Policy. In the interim, and since July 2019, service users continue to be charged based on historic practices rather than published policy. There is a risk this will have an unintended impact on Service and service user finances, presenting a risk to service delivery and the Health and Social Care Partnership's reputation. The implementation of a new Care Management System in October 2022 was a major shift in working practices and development of the system functionality has continued since then, with further development planned. Whilst there are generic practical procedures, and controls built into the system, there are only limited notes on local application, reducing assurance over the application of internal controls throughout the process. The small size of the financial assessment team presents risk to consistent application of working practices in the event of changes. Procedures and training for Social Care practitioners supporting service users in the completion of application forms are still under development, presenting a risk of inconsistent application. As part of its budget approved in March 2024, the Integration Joint Board agreed a saving of £1.5 million related to clearing a backlog of financial assessments. Additional staff resource has been identified to address this. At the time of the audit, data indicated there were 996 overdue assessments. Whilst this is being tracked, further data was not available to assist in prioritising this workload. The Service has noted this has increased to 1237, including 248 non-residential and 989 residential assessments. Although calculations are largely carried out by the System itself, reducing the risk of manual error, this is wholly reliant on the accuracy of the data input. Variations between application form data and system records indicate there are further calculations and adjustments being completed prior to data entry. These further calculations, and the sources of further information, are not being retained along with other supporting documentation on the system. Adjustments are being made regularly to change the values recorded on the system, to effect a desired outcome (e.g. to apply anticipated changes to allowances or capital values in advance, to avoid having to re-perform another assessment in the short term.) Whilst in individual instances the impact would have been minimal, it means a different threshold is being applied to that required, and accurate data is not being recorded. If this is occurring regularly, the financial impact may be more material, and it impacts on transparency and equitable treatment. Given that the Charging Policy being applied does not match what has been published it is unlikely that service users or their representatives will be able to independently confirm the accuracy of what they are being charged. Recommendations have been made to implement and consistently apply the agreed Charging Policy, seeking formal approval for any changes; to develop and implement written procedures clarifying the key

controls to be applied; to set priorities for addressing overdue assessments; and to ensure all supporting evidence is reviewed and retained.

- **Commissioning (HSCP)** – The level of net risk is assessed as **MODERATE**, with the control framework deemed to provide **REASONABLE** assurance over plans and progress with commissioning across the Health and Social Care Partnership. Commissioning principles are being integrated at the strategic level, within strategic documentation, and in practice through the work of the Commissioning Lead engaging with services and service providers. However, there is limited evidence to demonstrate a planned and coordinated approach to embedding the principles across the HSCP's portfolio of contracts and commissioned services. This does not directly drive a more major risk / limited assurance due to the resource allocated to commissioning (both the Commissioning Lead role and the Commercial and Procurement Shared Service), and the governance arrangements provided by the HSCP's Strategic Commissioning and Procurement Board, which currently address more of the operational aspects and risks. Areas where controls would benefit from improvement, to more effectively and transparently demonstrate the alignment of commissioning with strategic intent include: Strategic Planning, Coordination, Strategic Alignment, and Embedding the Commissioning Principles. Recommendations have been made to address the above risks through review of planning, scheduling, reporting, and consistency of presentation of key documentation to better demonstrate plans and activities are aligned with, and on target to deliver, the HSCP's strategic aims and commissioning principles.
- **Counter Fraud (IJB)** – The level of net risk is assessed as **MODERATE**, with the control framework, which relies on the partner organisations, deemed to provide **REASONABLE** assurance over the Health and Social Care Partnership's approach to Counter Fraud. This does not reflect a Moderate level of risk with regards to the occurrence of fraud across the IJB's operations and instead is reflective of the framework of control. The complexity of service delivery by Health and Social Care Partnerships necessitates fraud policies and controls that address different operations, controls and staffing between partners. While the unique nature of IJB operations (e.g., not holding assets, relying on partners' payment systems) limits strategic fraud opportunities, operational-level fraud risks remain where services are delivered by the Council and NHS on behalf of the IJB. A strong Counter Fraud Framework is crucial for safeguarding the IJB's resources. The IJB must have clear measures for fraud prevention, detection, investigation, and reporting. Establishing a clear stance on fraud, in conjunction with consistent and appropriate practice, helps reduce the risk of financial loss and reputational damage which could result from fraud. The IJB relies on the Counter Fraud policies and arrangements of its partners: NHS Grampian and Aberdeen City Council. Each organisation has policies and procedures in place, with ongoing reviews to ensure they meet their counter fraud requirements and, by extension, those of the IJB. However, while IJB Management has considered Counter Fraud in specific cases (e.g.,

procurements), more could be done to address the strategic risks to the IJB and the assurances in place. Counter Fraud is not yet fully integrated across the IJB's partners. Although the IJB can depend on the operations of the Council and NHS Board, it should further formalise its arrangements with partners to ensure strategic assurances over its operations. Without a properly considered control framework, the IJB faces several fraud-related risks, including financial losses, reputational damage, and potential operational impacts. A single overarching recommendation has been made for Management to formally consider and document a Counter Fraud control framework across the IJB's operations. This should include an action plan to address any gaps or areas for improvement, considering all points raised in this report, such as regular Fraud Risk assessments, promotion of Counter Fraud Principles, and proactive measures to identify and prevent fraud. Recognising the IJB's reliance on its partners' controls for most operations, it should seek assurance of the Counter Fraud frameworks in place. Internal Audit can support the IJB in gaining these assurances through ad hoc consultancy or future internal audit reviews on targeted operational areas.

- **Budget Setting (IJB)** – The level of net risk is assessed as **MODERATE**, with the control framework deemed to provide **REASONABLE** assurance over the Health and Social Care Partnership's Budget Setting and Monitoring processes. There is clear governance and reporting lines, roles, and responsibilities. Assurance can also be taken from partners' (Aberdeen City Council (ACC) and NHS Grampian (NHSG)) internal processes. There is extensive scheduling for updating the Medium Term Financial Forecast (MTFF) and Budget - a full project plan, tracker and timeline is in place and is being kept up to date, including timelines for obtaining key information, preparing committee reports, stakeholder workshops and management discussions. There is emerging evidence of enhanced financial planning, and increasing engagement with senior management and budget holders, with regard to the identification and delivery of key savings options required to deliver a balanced budget for 2024/25. However, the review identified some areas of weakness where the framework of control could be strengthened, specifically: Financial Governance, Protocols and Scheduling, Finance and Support Resources, Use of Reserves, Budget Setting and Allocations, Budget Monitoring, and Resource Adjustments. Recommendations have been made for the Partnership to develop its planning and scheduling for financial reporting; to review forecast accuracy and options for obtaining improved data nationally; and ensure the level of detail contained in budget monitoring reports is sufficient to provide assurance over the mitigation of potential overspends; and improved transparency over the use of virements, budget adjustments, and Reserves where required. With regard to budget setting, and development of financial strategy, we have recommended the Partnership review the cost base and allocation of budget between partners, supported by the effective use of business cases, and Directions as appropriate; to include a review of the

provision of, and costs for, support services recharged to the IJB budget. The Reserves Policy should also be updated.

Management has agreed to timebound actions based on the recommendations of IA, with some already implemented in year.

NHS Grampian IA confirmed that in year they completed no dedicated audits over services delivered on behalf of IJB but have feedback on the wider control framework of the Health Board, noting no critical findings identified as part of their work. NHS Grampian IA provided details of their wider control points and risk ratings, and these will be actioned and followed up internally. Where they have been considered as part of this report, they do not directly link to the Annual Opinion for the IJB.

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 IA intends to focus on to a greater degree include:

- Financial Sustainability
- Staffing
- Other emerging risks identified during the year

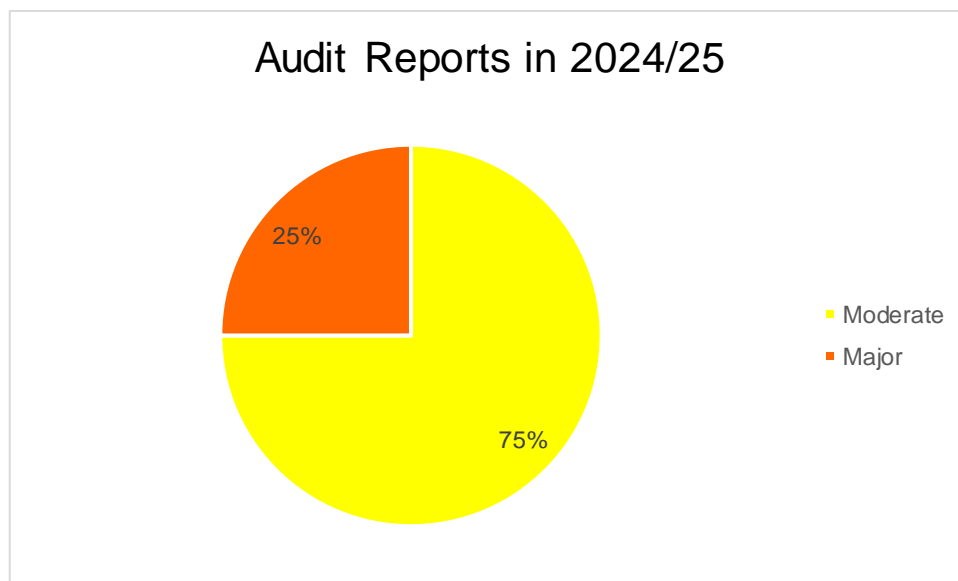
2.5 Follow up of audit recommendations

Public Sector Internal Audit Standards require that IA reports 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. For the recommendations due as at year end, these have been followed up with Management and updates provided as part of standard Committee reporting.

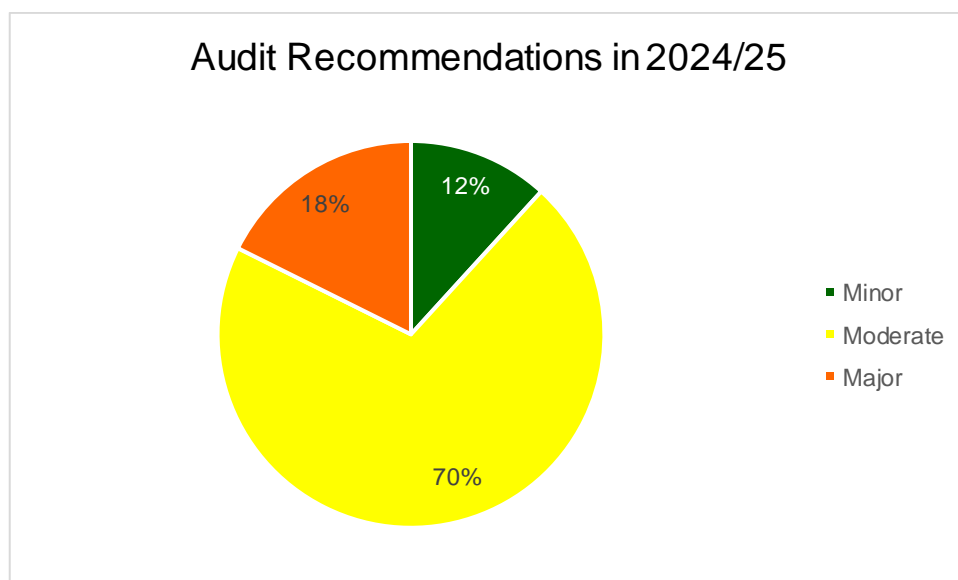
3 Audit Results

3.1 In year audit results

Across the year, irrespective of the period initially planned for the review, IA issued four audit reports. These reviews span the entire breadth of operations, touching on not just the IJB but also the HSCP services delivered by Aberdeen City Council on behalf of the IJB.



Across the four audit reports issued, IA made 17 recommendations: three rated Major, 12 Moderate and two Minor.



3.1.1 Previous year reviews finalised in 2024/25

Service	Audit Area	Overall Rating
Council Led HSCP Services	Social Care Financial Assessments	Major

3.1.2 2024/25 reviews finalised in year

Service	Audit Area	Overall Rating
IJB	IJB Counter Fraud	Moderate
IJB	IJB Budget Setting and Monitoring	Moderate

3.1.3 2024/25 reviews finalised in 2025/26

Service	Audit Area	Overall Rating
Council Led HSCP Services	HSCP Commissioning	Moderate

3.2 Counter Fraud

IA does not have a dedicated responsibility across the Board to lead on Counter Fraud activities, instead this is within the remit of a separate in-house 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 IA from a control framework perspective.

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 PSIAS and the results of the quality assurance and improvement programme (QAIP).

In previous reports IA has updated the Committee on work to address previously noted issues; the main driver for these being the internal quality assessment, any external quality assessments and recommendations made by External Audit.

IA is pleased to confirm an internal review of the control framework has concluded that IA fully conforms with PSIAS.

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. This includes details of Internal Audit's work to ensure compliance with the Global Internal Audit Standards (GIAS), which were introduced in 2025.

4.2 Staffing

At present IA is operating with a 12.8 FTE, 0.2 FTE under budget. This 0.2 variance is reflective of flexible working within the Service.

5 Appendix 1 – Grading of Recommendations

Risk Level	Definition
Corporate	This issue / risk level impacts the Partnership as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given directorate.
Cluster	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual Issue / Risk Rating	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.
Major	The absence of, or failure to comply with, an appropriate internal control, which could result in, for example, a material financial loss. Action should be taken within three months.
Severe	This is an issue / risk that could significantly affect the achievement of one or many of the Partnership's objectives or could impact the effectiveness or efficiency of the Partnership's activities or processes. Action is considered imperative to ensure that the Partnership is not exposed to severe risks and should be taken immediately.