



Audit and Performance Systems Committee

Report Title	Internal Audit Annual Report and Internal Financial Control Statement 2017/18
Lead Officer	David Hughes, Chief Internal Auditor
Report Author (Job Title, Organisation)	David Hughes, Chief Internal Auditor
Report Number	HSCP.18.021
Date of Report	2 April 2018
Date of Meeting	10 April 2018

1: Purpose of the Report

The purpose of this report is to provide the Committee with Internal Audit's Annual Report and Internal Financial Control Statement for 2017/18.

2: Summary of Key Information

It is one of the functions of the Integration Joint Board Audit and Performance Systems Committee to review the activities of the Internal Audit function, including its annual work programme.

The Internal Audit plan for 2017/18 was agreed by the Committee on 11 April 2017. The plan consisted of one audit for the IJB with a number of specific audits agreed by Aberdeen City Council's Audit, Risk and Scrutiny Committee relating to Adult Social Care in the Council and by NHS Grampian's Audit Committee in relation to audits for that body.

The resultant outputs are reported as follows:

- IJB Internal Audit reports reported to the IJB Audit 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 Audit Committee.
- Audits in NHS Grampian to the NHS Grampian Audit Committee in the first instance and thereafter to the IJB Audit Committee for relevant audits.



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Appendix A to this report details the position with audits contained in the 2017/18 plan and those carried forward from 2016/17.

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 Financial Control Statement. This is supplemented by review of other relevant documentation, including Integration Joint Board and Audit and Performance Systems Committee papers, and the assessment of risk undertaken (by both Internal and External Audit) in updating the Internal (and External) Audit plan(s).

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 internal control system in the year to 31 March 2018.

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). Following completion of a review by KPMG in this respect, the results were reported to Aberdeen City Council's Audit, Risk and Scrutiny Committee. An action plan was agreed in relation to recommendations made, and progress is being monitored by the Audit, Risk and Scrutiny Committee.

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 Audit and Performance Systems Committee; and Internal Audit reports its outputs to Committee in the name of the Chief Internal Auditor.

There is also a requirement to report any instances where the scope of Internal Audit's work has been limited. During 2017/18, there have been no such limitations.

Aberdeen City Council's Audit, Risk and Scrutiny Committee is scheduled to consider Internal Audit's annual report on the Council on 26 June 2018. NHS Grampian's Audit Committee will consider their Internal Auditors annual report on 26 June 2018. An update will be provided to the Audit and Performance Systems Committee should there be any issues that require to be reported.

Appendix C to this report shows the progress that IJB management have made



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with implementing recommendations that have been agreed in Internal Audit reports relating to the IJB.

3: Equalities, Financial, Workforce and Other Implications

Equalities – An equality impact assessment is not required because the reason for this report is for Committee to discuss, review and comment on the Internal Audit Annual Report and Internal Financial Control Statement for 2017/18 and there will be no differential impact, as a result of this report, on people with protected characteristics.

Financial – There are no financial implications arising directly from this report.

Workforce – There are no workforce implications arising directly from this report.

Other – There are no other implications arising directly from this report.

4: Management of Risk

Identified risk(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.

How might the content of this report impact or mitigate the known risks: Where risks have been identified during the Internal Audit process, recommendations have been made to management in order to mitigate these risks.

5: Recommendations

It is recommended that the Committee:

1. Note the Internal Financial Control Statement for 2017/18;
2. Note that the Chief Internal Auditor has confirmed the organisational independence of Internal Audit;



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3. Note that there has been no limitation to the scope of Internal Audit work during 2017/18;
4. Note that an external review of Internal Audit was completed by KPMG and the outcome from that was reported to Aberdeen City Council's Audit, Risk and Scrutiny Committee; and
5. Note the progress that IJB management has made with implementing recommendations agreed in Internal Audit reports relating to the IJB.



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APPENDIX A

Service	Audit Topic	Position
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2016/17 Planned Audit Work Completed in 2017/18

Integration Joint Board	Health and Social Care Partnership: Post Integration Review	Complete September 2017 Reported to A&PS Committee 21.11.17
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NHS Grampian	Budget Setting and Staff Governance	Complete May 2017 Reported to A&PS Committee 21.08.17
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2017/18 Planned Audit Work

Integration Joint Board	Transformational Funding	Complete December 2017 Reported to A&PS Committee 02.03.18
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Aberdeen City Council Adult Social Work	Social Work Transport	Complete September 2017 Reported to A&PS Committee 02.03.18
	Social Work Payroll	Complete January 2018 Reported to A&PS Committee 10.04.18
	Financial Assessments	Complete February 2018 Reported to A&PS Committee 10.04.18
	Care Management	Draft report issued February 2018 Due to be reported to A&PS Cmte 19.06.18



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Service	Audit Topic	Position
2017/18 Planned Audit Work (continued)		
NHS Grampian	Partnership Working: IJB Performance reporting and KPIs	To be confirmed



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Appendix B

Internal Audit Statement relating to Aberdeen City Integration Joint Board's Internal Control System for the year ended 31 March 2018

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 internal control system of the Council for the year ended 31 March 2018. 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 2018.

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 2018 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 of the robustness of the internal control system.

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 internal control system 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 Audit and Performance Systems 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 2018**



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Appendix C

POSITION WITH AGREED RECOMMENDATIONS INCLUDED IN INTEGRATION JOINT BOARD

INTERNAL AUDIT REPORTS

AS AT 2 APRIL 2018

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



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Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 28.02.18	Confirmed Implemented by Service	Not implemented by original due date	
AC1724	Health and Social Care Post Integration Review	September 2017	11	5	3	2	1 Significant
							1 Important
The position with the overdue recommendations is as follows:							
Chief Officer	Overdue Recommendation	Grading / Due Date	Position				
Chief Finance Officer	The IJB should progress development of its scheme of delegation (2.1.4)	Significant December 2017	The Service has advised that this couldn't be progressed until delegations had been finalised in the Aberdeen City Council Scheme of Governance. The recommendation will now be implemented by the end of June 2018.				
Chief Finance Officer	The CFO in conjunction with partners finance teams should develop a budget monitoring procedure (2.3.2)	Important December 2017	The Service has advised that the procedure is still to be finalised and will be completed by the end of January 2018. Internal Audit is awaiting confirmation regarding this.				
AC1807	Transformational Funding	December 2017	12	8	8	0	