

**REPORT TO THE ABERDEENSHIRE INTEGRATION JOINT BOARD
AUDIT COMMITTEE – 23 JUNE 2021**

INTERNAL AUDIT ANNUAL REPORT 2020/21

1. Reason for Report / Summary

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

2. Recommendations

The Committee is requested to:

- 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.**

3. Purpose and Decision Making Route

3.1 Purpose

- 3.1.1 Public Sector Internal Audit Standards require that Internal Audit report the results of its activities to the Board. In the Aberdeenshire Integration Joint Board, this is the Audit Committee. This report helps satisfy the requirement.

3.2 Decision Making Route

- 3.2.1 The content of this report has not previously been considered by this, or another Committee.

4. Discussion

- 4.1 It is one of the functions of the Integration Joint Board Audit Committee to review the activities of the Internal Audit function, including its annual work programme.
- 4.2 The Internal Audit plan for 2020/21 consisted of three audits for the IJB with a number of specific audits agreed by Aberdeenshire Council's Scrutiny and Audit Committee relating to Adult Social Care in the Council and by NHS Grampian's Audit Committee in relation to audits for that body.

- 4.3 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 Aberdeenshire and NHS Grampian Audit Committees.
 - Aberdeenshire Council Adult Social Care audits reported to Aberdeenshire's Audit 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.
- 4.4 Appendix A to this report details the position with audits contained in the 2020/21 plan and those carried forward from 2019/20.
- 4.5 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.
- 4.6 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 Audit Committee papers, and the assessment of risk undertaken (by both Internal and External Audit) in updating the Internal (and External) Audit plan(s).
- 4.7 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.
- 4.8 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 internal control system in the year to 31 March 2021.
- 4.9 Aberdeenshire Council's Audit Committee considered Internal Audit's annual report on the Council on 20 May 2021. It concluded that reasonable

assurance could be placed on Aberdeenshire Council's framework of governance, risk management and control in the year to 31 March 2021.

- 4.10 NHS Grampian's Audit Committee will consider their Internal Auditors annual report in due course. An update will be provided to the IJB Audit Committee should there be any issues that require to be reported.
- 4.11 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 Aberdeenshire Council's Audit Committee on 20 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.
- 4.12 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 (approved by the Board on 31 August 2016). Other factors which help ensure Internal Audit's independence are that: the Internal Audit plan is approved by the IJB Audit 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.
- 4.13 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 4.7 above, there have been no such limitations.
- 4.14 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.
- 4.15 The Chief Finance Officer and Monitoring Officer have been consulted in the preparation of this report. Any comments made have been incorporated within the report and they are satisfied that the report complies with the Scheme of Governance and relevant legislation.

5. Implications and Risk

- 5.1 An equality impact assessment is not required because the reason for this report is for Committee to discuss and comment on Internal Audit's annual report and there will be no differential impact, as a result of this report, on people with protected characteristics.
- 5.2 There are no staffing or financial implications arising directly from this report other than those implicit in the tightening of internal controls recommended in the Internal Audit reports.
- 5.3 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations are

made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management.

CHIEF INTERNAL AUDITOR

Report prepared by Colin Harvey, Chief Internal Auditor (Interim).
12 June 2021.

List of Appendices:

Appendix A - Progress with planned work

Appendix B - Internal Audit Annual Report 2020/21

Appendix C - Progress with implementing agreed actions

APPENDIX A

Service	Audit Topic	Position
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2019/20 Planned Audit Work Completed in 2020/21

Integration Joint Board	Compliance with Data Legislation	Complete March 2021
	Service Standards	Complete December 2020
	Partnerships Governance	Complete December 2020
Aberdeenshire Council Adult Social Care	Commissioned Services – Contract Monitoring	Complete June 2020.

2020/21 Planned Audit Work

Integration Joint Board	Hosted Services	Delayed to 2021/22 at request of the Service.
Aberdeenshire Council Adult Social Care	Financial Assessments	Complete May 2021
	Adult Support & Protection	Complete March 2021
	Mental Health and Substance Abuse	Work in progress
	Learning Disabilities	Complete June 2021

Appendix B

Internal Audit Annual Report for the year ended 31 March 2021

As Chief Internal Auditor of the Aberdeenshire 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 required 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 IJB Audit 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 Aberdeenshire 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 Aberdeenshire Council's framework of governance, risk management and performance monitoring arrangements; and
- Consideration will be given to the contents of NHS Grampian's Internal Audit annual report when available.

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 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 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)
Aberdeenshire Integration Joint Board
21 April 2021

Appendix C

POSITION WITH AGREED RECOMMENDATIONS INCLUDED IN INTEGRATION JOINT BOARD

INTERNAL AUDIT REPORTS

AS AT 12 JUNE 2021

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

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 28.02.21	Confirmed Implemented by Service	Not implemented by original due date	
1749	Post Integration Review	September 2017	11	11	9	2	2 Significant

The position with the overdue recommendations is as follows:

Chief Officer	Overdue Recommendation	Grading / Due Date	Position
Chief Officer	The Board should explore the development of a Scheme of Delegation (2.1.4)	Significant December 2017	The Committee was advised in June 2018 that the H&SCP Management Team recognise the importance of such a mechanism however, as the legislation does not provide for a Scheme of Delegation, the Management Team are now considering the most suitable way to put in place appropriate governance arrangements which satisfies the principles of such a scheme. As this is a key piece of work requiring engagement, a revised completion date of April 2019 was suggested.

(continued over page)

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(1749 – Post Integration Review – Continued)

Chief Officer	Overdue Recommendation	Grading / Due Date	Position
	<i>2.1.4 continued</i>		<p>The Committee was advised in August 2019 that the Service had advised that delegations are in place for the Committees of the IJB and reflected in their terms of reference. The legal basis for delegating powers to Officers has still to be determined. Advice will be sought from the Council's Legal team and the issue will be further discussed in national forums. A revised implementation date has still to be confirmed.</p> <p>The Committee was advised in February 2020 that the Service noted that the legal basis for delegating powers to IJB officers has still to be resolved at a national level although officers continue to have delegated authority under the Scheme of Delegation arrangements of both partner organisations. An HSCP Governance Policy is being drafted which includes a section on operational governance. This section outlines the role of the Senior Management Team in providing management oversight and decision making for operational issues. The Governance Policy will be formally approved by May 2020.</p> <p>The Committee was advised in June 2020 that the Service had requested that all overdue recommendations be extended to June 2020 in view of pressure resulting from the coronavirus. This was subsequently extended to August 2020.</p>

			<p>A report on Organisational Governance arrangements was considered by the IJB on 25th September 2020 which set out the governance framework in place and sets out new arrangements Strategic Planning Group and performance monitoring. A Scheme of Delegation was thereafter to be developed to support the new Organisational Governance arrangements. This will be developed by March 2021.</p> <p>Due to service pressure on management staff caused by the second wave of the Covid pandemic over the Winter Period the planned deadline of March 2021 has not been achieved. A revised timescale for developing a Scheme of Delegation is now September 2021.</p>
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Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
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(1749 – Post Integration Review – Continued)

Chief Officer	Overdue Recommendation	Grading / Due Date	Position
Chief Officer	An asset management plan should be developed and approved by the IJB (2.1.7)	Significant December 2017	<p>The Committee was advised in June 2018 that the Service anticipated that this would be complete by the end of December 2018.</p> <p>The Committee was advised in June 2019 that the latest update was that progress was being discussed between the Service and Internal Audit.</p> <p>The Committee was advised in August 2019 that, due to staff absence and turnover, the team addressing this has had limited capacity to progress this action. They are actively involved in both Partners' capital planning groups, but a strategic plan has still to be concluded. It is anticipated this will be in place by January 2020.</p> <p>The Committee was advised in June 2020 that the Service had stated that a Business Asset Manager was appointed in October 2019 and had commenced work on an HSCP Asset Management Plan. The plan is being influenced by asset management reviews being carried out by Aberdeenshire Council and NHS Grampian which are in their earlier stages. It is estimated that the HSCP Plan will be completed in August 2020.</p> <p>Preparation of an Asset Management Plan has been delayed due to staff being redeployed to support Covid activities for the provision of PPE. Staff</p>

			<p>are now returning to their substantive posts and it is hoped that the Plan can be finalised by March 2021.</p> <p>Due to service pressure on management staff caused by the second wave of the Covid pandemic over the Winter Period the planned deadline of March 2021 has not been achieved. A revised timescale for developing a Partnership specific Asset Management Plan is now September 2021.</p>
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Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 28.02.21	Confirmed Implemented by Service	Not implemented by original due date	

AW1801	Community Hospital & Home Care Staff Costs	May 2018	17	17	16	1	1 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Overdue Recommendation	Grading / Due Date	Position
Chief Officer	The Service should ensure budgets are aligned with the required establishments under the relevant model (2.2.4)	Significant April 2019	<p>The Committee was advised in August 2019 that the IJB has agreed to invest in Community Hospital budgets during 2019/20. Work is ongoing to establish where additional investment is required. Although budgets are more effectively aligned, it is clear that additional pressures may be experienced as the system is required to flex to the demand and levels of patient needs. Further savings may be possible in some areas following further redesign. Even with redesign NHS T&Cs mean that salary protection may mean a continuing pressure on budgets.</p> <p>The Committee was advised in February 2020 that the latest update from the Service was that required establishments for Community Hospitals are now being reassessed as part of the work to comply with the Scottish Government's Safe Staffing Legislation. Once this work is complete during the 2020/21 financial year, the IJB will then need to review community hospital bed establishments taking account of workforce and financial constraints. This will ensure that budgets are aligned with the required establishments for each hospital.</p> <p>Due to Covid work on the Scottish Government's Safe Staffing Legislation has not progressed so position is unchanged from above. Due to Covid</p>

			there have also been changes in bed capacity at many Community Hospitals. The financial impact of these changes is being reflected in budget variances for the 2020/21 year.
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Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 28.02.21	Confirmed Implemented by Service	Not implemented by original due date	

1924	Budget Setting, Monitoring and Financial Reporting	September 2019	7	6	5	1	1 Significant
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The position with the overdue recommendations is as follows:

Chief Officer	Overdue Recommendation	Grading / Due Date	Position
Chief Finance Officer	The Partnership should document procedures setting out the requirements of and controls which govern its budget setting, monitoring and reporting processes (2.1.5)	Significant March 2020	<p>The Committee was advised in June 2020 that the Service had requested that all overdue recommendations be extended to August 2020 in view of pressure resulting from the coronavirus.</p> <p>Procedures are not yet completed. The aim is to complete this by January 2021 to support the 2021/22 budget setting process.</p> <p>The Service has since advised that this is not yet complete and has requested an extension to March 2021.</p> <p>Now complete. Procedures setting out the process for budget setting, financial monitoring and financial reporting have been prepared by the Chief Finance Officer and distributed to Partnership Finance staff.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 28.02.21	Confirmed Implemented by Service	Not implemented by original due date	

1940	Business Continuity Arrangements	July 2019	7	7	5	2	2 Major
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The position with the overdue recommendations is as follows:

Chief Officer	Overdue Recommendation	Grading / Due Date	Position
Chief Officer	The Service should ensure procedures and a timetable are documented for creation, content, review, testing and updating of Business Continuity Plans and Business Impact Analyses (2.2.9)	Major January 2020	<p>The Committee was advised in June 2020 that the Service had requested that all overdue recommendations be extended to August 2020 in view of pressure resulting from the coronavirus.</p> <p>The service requested that this overdue recommendation was extended to March 2021 to allow the service to focus on operational pressures that are forecast to occur over the winter period.</p> <p>The Service has since advised that the Covid 19 situation has highlighted the need to review our business continuity documentation. We are working with the Council and NHS teams to look at both the format and content and also where these can be stored and accessed. There are significant changes around business continuity, including the IJB becoming a Category One Responder since the audit, therefore the Service requests an extension to October 2021.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
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(1940 – Business Continuity Arrangements – Continued)

Chief Officer	Overdue Recommendation	Grading / Due Date	Position
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Chief Officer	The Service should ensure it can demonstrate that current impact analyses and continuity plans are in place in respect of all areas under AH&SCP management (2.2.13)	Major January 2020	<p>The Committee was advised in June 2020 that the Service had requested that all overdue recommendations be extended to August 2020 in view of pressure resulting from the coronavirus.</p> <p>The service requested that this overdue recommendation was extended to March 2021 to allow the service to focus on operational pressures that are forecast to occur over the winter period.</p> <p>The Service has since advised that the Covid 19 situation has highlighted the need to review our business continuity documentation. We are working with the Council and NHS teams to look at both the format and content and also where these can be stored and accessed. There are significant changes around business continuity, including the IJB becoming a Category One Responder since the audit, therefore the Service requests an extension to October 2021.</p>
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2022	IJB Service Standards	December 2020	7	5	4	1	Important
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The position with the overdue recommendations is as follows:

Chief Officer	Overdue Recommendation	Grading / Due Date	Position
Service & Development Manager	The Risk Register should be updated to reflect the controls currently in place in respect of IJB Risk 8 (2.1.9).	Important December 2020	The full risk plan is currently being updated in light of changes to datix. The Service is working with all risk leads to update their risks, which is anticipated to take until the end of June 2021.

APPENDIX D

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.