

REPORT TO ABERDEENSHIRE INTEGRATION JOINT BOARD AUDIT COMMITTEE – 7 DECEMBER 2022

INTERNAL AUDIT UPDATE REPORT

1 Executive Summary/Recommendations

- 1.1 Internal Audit's primary role is to provide independent and objective assurance on the Board's risk management, control and governance processes. This requires a continuous rolling review and appraisal of the internal controls of the Board, and the Council overall, 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 summaries of these are provided to the IJB Audit Committee.
- 1.2 The purpose of this report is to provide the Committee with an update on Internal Audit's work since the last update. Details are provided of the progress against the approved Internal Audit plans, audit recommendations follow up, and other relevant matters for the Committee to be aware of.

1.3 Recommendation

The Committee is recommended to:

1.3.1 Note the progress of the Internal audit plan;

1.3.2 Note the progress that management has made with implementing recommendations agreed in Internal Audit reports;

2 Decision Making Route

- 2.1 The report comes to each session of the Committee and has not been considered by this or another Committee previously.

3 Discussion

- 3.1 This report is designed to provide an update to the IJB Audit Committee on the work of Internal Audit since our last update to the Committee.

4 Discussion

- 4.1 The Chief of the Health and Social Care Partnership has been consulted in the preparation of this report and any comments received have been incorporated.

5 Equalities, Staffing and Financial Implications

- 5.1 An equality impact assessment is not required because the recommended actions are not considered to have a differential impact on people with protected characteristics.
- 5.2 Any staffing and financial implications arising directly as a result of this report are narrated in the report.

CHIEF INTERNAL AUDITOR

Report prepared by Jamie Dale, Chief Internal Auditor
28 November 2022

List of Appendices

Appendix A – Internal Audit Update Report



Aberdeenshire
Health & Social Care
Partnership

Internal Audit

IJB Audit Committee Internal Audit Update Report December 2022

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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 Integration 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 IJB Audit Committee. Along with other evidence, these reports are used in forming an annual opinion on the adequacy of risk management, control, and governance processes.

This report advises the IJB Audit Committee of Internal Audit's work since the last update. Details are provided of the progress against the approved 2021-22 and 2022-23 Internal Audit plans, audit recommendations follow up, and other relevant matters for the Committee to be aware of.

1.2 Highlights

Full details are provided in the body of this report however Internal Audit would like to bring the Committee's attention that since the last update:

- Three reports have been finalised.
- Four audits are currently in progress.
- Three audit recommendation has been closed, with nine currently outstanding.

1.3 Action requested of the IJB Audit Committee

The IJB Audit Committee is requested to note the contents of this report and the work of Internal Audit since the last audit.

2 Internal Audit Progress

2.1 2021-22 Audits

| Service | Audit Area | Position |
|---------|----------------------------|---|
| HSCP | Residential Care | Final audit report issued This will be presented to the Aberdeenshire Council Audit Committee in December and then to the IJB Audit Committee. |
| HSCP | Following the public pound | Final audit report issued |
| HSCP | Client Transport | Final audit report issued This will be presented to the Aberdeenshire Council Audit Committee in December and then to the IJB Audit Committee. |
| IJB | Transformational Funding | Review in progress. |

2.2 2022-23 Audits

| Service | Audit Area | Position |
|---------|--|--|
| IJB | IJB Governance Arrangements | Review in progress |
| HSCP | Adults with incapacity (management of funds) | Review in progress |
| HSCP | Criminal Justice | Not started – Review scheduled for Q4 |
| HSCP | Day Care Establishments | Review in progress |

2.3 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.

Recognising the implementation of audit recommendations as something that Internal Audit could support the Council with, over the past months Internal Audit has led an exercise aimed at supporting management on the closure of agreed actions. This did not move the bar but through engagement beyond the routine follow up exercise, we worked with management to close out as many actions as possible and leave only those actions that were rightly ongoing for management to focus on.

As at 30 October 2022 (the baseline for our exercise), 12 audit recommendations were due and outstanding¹²:

- Nine rated as Moderate

¹ This includes recommendations made of both the IJB and the H&SCP within Aberdeenshire Council.

² Please note that since the last update to the Committee, a mapping exercise has taken place to regrade previous recommendations, made under the historic methodology, to align them with the gradings of the new methodology

- Three rated as Minor

As part of the audit recommendations follow up exercise, one audit recommendation was closed. The position going forward is that of nine outstanding audit recommendations³:

- Six rated as Moderate
- Three rated as Minor

For all of the outstanding audit recommendations, discussions were held with management and updates provided.

Appendix 1 – Grading of Recommendations provides the definitions of each of the ratings used.

Appendix 2 – Audit Recommendations Follow Up – Outstanding Actions provides a detailed breakdown of the outstanding audit recommendations that will be taken forward and followed up as part of the next cycle.

3 Appendix 1 – Grading of Recommendations

| Risk Level | Definition |
|------------|------------|
|------------|------------|

³ This is the position with regards to recommendations that were due as at 30 October 2022. Recommendations falling due past this date and those made as part of subsequent Internal Audit Reports will be followed up as part of the standard follow up cycle and reported to Committee session on session.

| | |
|------------------------------|---|
| Strategic | This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level. |
| Directorate | This issue / risk level has implications at the directorate 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. |
| Service | This issue / risk level impacts at the Business Plan level (i.e. individual services or departments as a whole). Mitigating actions should be implemented by the responsible Head of Service. |
| 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 Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately. |

Appendix 2 – Audit Recommendations Follow Up

| Area | Report | Recommendation | Original Due Date | Current Due Date | Committee Update | Status |
|--|--|---|-------------------|------------------|--|-------------|
| Health & Social Care Partnership: H&SCP | 2210 – Care First System | AHSCP should ensure adequate controls are put in place to ensure rejections are corrected timeously and confirmed as complete. (Moderate) | Aug-22 | Dec-22 | Work ongoing. | In progress |
| Health & Social Care Partnership: Health and Social Care Partnership | 2206 – Following The Public Pound | The H&SCP should update the grants register with details of grant applications received and the FPP checks undertaken in advance of grant awards. (Moderate) | Oct-22 | Mar-23 | Work ongoing on HSCP Organisational Governance Framework for Partnerships. | In progress |
| Health & Social Care Partnership | 2112 – Learning Disabilities | The Service should update the Care Management Handbook. (Minor) | Oct-22 | Dec-22 | Work is complete minus a few minor tweaks; these will be carried out over the coming weeks and then published. | In progress |
| Health & Social Care Partnership | 2123 – Mental Health & Substance Abuse | The Service should review documented guidance to ensure that it remains current. (Minor) | Jun-22 | Dec-22 | Work is complete minus a few minor tweaks; these will be carried out over the coming weeks and then published. | In progress |

| Area | Report | Recommendation | Original Due Date | Current Due Date | Committee Update | Status |
|----------------------------------|---|---|-------------------|------------------|---|-------------|
| Health & Social Care Partnership | 2123 – Mental Health & Substance Abuse | The Service should ensure that it is evidenced that client expenditure is reviewed in line with Delegated Authority guidance. (Moderate) | Jun-22 | Jun-23 | We have been looking at this along with the rest of the Delegated Authority guidance document to bring it up to date. A lot has been updated to accommodate the change in structures, but we have yet to sent to relevant managers for comments on the guidance and spend levels. | In progress |
| IJB | 1924 – Budget Setting, Monitoring & Financial Reporting | The Partnership should document procedures setting out the requirements of and controls which govern its budget setting, monitoring, and reporting processes. (Moderate) | Mar-20 | Mar-23 | Work ongoing with partners in this area but will be in place for financial year 23/24. | In progress |
| IJB | 2032 – IJB Partnership Governance | The IJB should review current policies and procedures in place and seek to align them across the partnership where appropriate. (Minor) | Jun-21 | Jun-23 | Work ongoing with regards to the recommendation, with engagement of managers as required. | In progress |
| IJB | 2032 – IJB Partnership Governance | The IJB should consider establishing: a. A definition of partnership working b. A register of the partnerships that the H&SCP is involved in c. Policy and guidance on partnership working, governance and | Dec-21 | Mar-23 | Work ongoing on HSCP Organisational Governance Framework for Partnerships. | In progress |

| Area | Report | Recommendation | Original Due Date | Current Due Date | Committee Update | Status |
|------|-----------------------------------|--|-------------------|------------------|--|--------------------|
| | | monitoring arrangements. (Moderate) | | | | |
| IJB | 2032 – IJB Partnership Governance | The IJB should ensure that there is a clear understanding of what the anticipated outcomes are from partnerships with which it is involved. The IJB's contributions to and benefits from partnership working should be subject to periodic review. (Moderate) | Dec-21 | Mar-23 | Work ongoing on HSCP Organisational Governance Framework for Partnerships. | In progress |