

REPORT TO THE ABERDEENSHIRE INTEGRATION JOINT BOARD AUDIT COMMITTEE – 19 JUNE 2019

INTERNAL AUDIT ANNUAL REPORT 2018/19

1. Recommendations

The Committee is requested to:

- 1.1 Note the Internal Audit Annual Report 2018/19;**
- 1.2 Note that the Chief Internal Auditor has confirmed the organisational independence of Internal Audit;**
- 1.3 Note that there has been no limitation to the scope of Internal Audit work during 2018/19; and**
- 1.4 Note the progress that management has made with implementing recommendations agreed in Internal Audit reports.**

2. Discussion

- 2.1** 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.
- 2.2** The Internal Audit plan for 2018/19 was agreed by the IJB Audit Committee on 20 June 2018. The plan 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.
- 2.3** 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.
- 2.4** Appendix A to this report details the position with audits contained in the 2018/19 plans.

- 2.5 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 Committee papers, and the assessment of risk undertaken (by both Internal and External Audit) in updating the Internal (and External) Audit plan(s).
- 2.6 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 2019.
- 2.7 Aberdeenshire Council's Audit Committee considered Internal Audit's annual report on the Council on 23 May 2019. 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 2019.
- 2.8 NHS Grampian's Audit Committee will consider their Internal Auditors annual report on 25 June 2019. An update will be provided to the Audit Committee when possible.
- 2.9 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 detail of this is reported to Aberdeenshire Council's Audit Committee and, during 2018/19, was based on an external peer review completed by Dundee City Council's Internal Audit Section.
- 2.10 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.
- 2.11 There is also a requirement to report any instances where the scope of Internal Audit's work has been limited. During 2018/19, there was no such limitation in either the Integration Joint Board or Aberdeenshire Council.
- 2.12 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.
- 2.13 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.

3. Implications and Risk

- 3.1 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.
- 3.2 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.
- 3.3 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 David Hughes, Chief Internal Auditor.
10 June 2019.

APPENDIX A

Service	Audit Topic	Position
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2017/18 Planned Audit Work Completed in 2018/19

Integration Joint Board	Transformational Funding	Complete June 2018 Reported to IJB Audit Committee 22.08.18
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Aberdeenshire Council Adult Social Care	Joint Occupational Therapy Store	Complete June 2018 Reported to IJB Audit Committee 19.06.19
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2018/19 Planned Audit Work

Integration Joint Board	Budget Setting, Monitoring and Financial Reporting	Work in Progress
	Business Continuity Arrangements	Work in Progress
	Risk Management Process	Complete February 2019 Reported to IJB Audit Committee 25.02.19

Aberdeenshire Council Adult Social Care	Financial Assessments	Complete November 2018 Reported to IJB Audit Committee 25.02.19
	National Care Home Contract	Complete March 2019 Reported to IJB Audit Committee 19.06.19
	Very Sheltered Housing	Complete May 2019. Being reporting to Aberdeenshire Audit Committee on 4 July 2019 and then to the IJB Audit Committee

NHS Grampian	Health and Social Care Integration Governance Structures	Complete March 2019 Reported to A&PS Committee 19.06.19
	Health and Safety Governance	Complete March 2019 Reported to A&PS Committee 19.06.19
	Unscheduled Care Discharge Process	Complete March 2019 Reported to A&PS Committee 19.06.19

Appendix B

Internal Audit Annual Report for the year ended 31 March 2019

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 2019. 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 2019.

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 2019 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.

David Hughes
Chief Internal Auditor
Aberdeenshire Integration Joint Board
8 April 2019

Appendix C

POSITION WITH AGREED RECOMMENDATIONS INCLUDED IN INTEGRATION JOINT BOARD

INTERNAL AUDIT REPORTS

AS AT 10 JUNE 2019

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 28.02.19	Confirmed Implemented by Service	Not implemented by original due date	
1749	Post Integration Review	September 2017	11	11	5	6	3 Significant 3 Important

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. The latest update is that progress is being discussed between the Service and Internal Audit.

Report Number	Report Title	Date Issued	Number of Recommendations			
			Agreed in Report	Due for implementation by 28.02.19	Confirmed Implemented by Service	Not implemented by original due date

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	The Committee was advised in June 2018 that the Service anticipated that this would be complete by the end of December 2018. The latest update is that progress is being discussed between the Service and Internal Audit.
Chief Officer	The IJB should agree a process for the approval and issue of Directions (2.1.16)	Important April 2018	The Committee was advised in June 2018 that the Service had advised that they are developing an approach to do this locally, but the formal approval process is not yet complete. This was to be done by October 2018. The latest update from the Service is that guidance will be completed following the issue of Directions over several months and the gathering of feedback on the process. This will now be complete by January 2020.
Chief Officer	A risk management strategy including risk appetite, management, and periodic reporting, should be developed and approved by the IJB (2.2.4)	Significant April 2018	The Committee was advised in June 2018 that the Service had advised that a development session was completed early in 2018 but further development work is required before a formal position is reached. This was to be complete by October 2018. The latest update is that progress is being discussed between the Service and Internal Audit.

Report Number	Report Title	Date Issued	Number of Recommendations			
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Chief Officer	Overdue Recommendation	Grading / Due Date	Position
Chief Finance Officer	The CFO, in conjunction with the Partners' Finance Teams, should develop a budget monitoring protocol (2.3.2)	Important April 2018	<p>The Committee was advised in June 2018 that, as stated in the Internal Audit report, the interim monitoring arrangements are satisfactory. However, discussions are now in place with the Director of Finance at NHS Grampian and the Head of Finance at Aberdeenshire Council about aligning financial reporting timelines across the organisations and also viewing the monitoring information more strategically across financial years so that any year end movements can be dealt with corporately. Timeline: throughout 2018/19 and concluded by April 2019.</p> <p>The latest update is that progress is being discussed between the Service and Internal Audit.</p>
Chief Officer	The IJB should review how data can be presented to demonstrate the operational impact of financial resource decisions (2.3.6)	Important January 2018	<p>The Committee was advised in June 2018 that progress with this issue was being discussed through a current audit of Transformational Funding.</p> <p>The latest update is that progress is being discussed between the Service and Internal Audit.</p>

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 28.02.19	Confirmed Implemented by Service	Not implemented by original due date	

1848	Transformational Funding	June 2018	11	11	7	4	4 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 Partnership should ensure that progress is made across all of the Work Programmes (2.1.8 b)	Significant October 2018	Progress is being discussed between the Service and Internal Audit.
Chief Officer	The Partnership should ensure that robust budget monitoring records and reporting procedures are in place to demonstrate adequate budgetary control at both project and Work Programme level (2.4.6)	Significant October 2018	The Service has advised that funding arrangements for agreed transformational projects are going to be refreshed in 2019/20 with updated information on projected commitments and associated benefits. This will enable more robust monitoring procedures at both project and Work Programme level. This will be complete by the end of October 2019.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
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Chief Officer	Overdue Recommendation	Grading / Due Date	Position
Chief Officer	The Partnership should ensure that the narrative within Commissioning Plan progress reports can be verified to adequately detailed project delivery records (2.4.7)	Significant March 2019	Progress is being discussed between the Service and Internal Audit.
Chief Officer	The Service should ensure that it can demonstrate clear links between strategic level performance indicators and specific actions taken to date within each project at operational level (2.4.13)	Significant October 2018	Progress is being discussed between the Service and Internal Audit.

1931	IJB Risk Management	February 2019	6	2	2	0	0
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