

## **REPORT TO ABERDEENSHIRE INTEGRATION JOINT BOARD 23 AUGUST 2023**

### **IJB AUDIT COMMITTEE UPDATE REPORT**

#### **1 Recommendation**

**The Integration Joint Board (IJB) is recommended to:**

##### **1.1 Note the following key points and assurances from the Committee in relation to audit matters.**

#### **2. Reason for Report**

2.1 This report updates the Aberdeenshire IJB on key issues arising from the Committee meeting on 5<sup>th</sup> July 2023.

#### **3. Meeting Minute of 1<sup>st</sup> March 2023, Action Log, Business Planner and Internal Audit Update Report**

3.1 Agreement of Committee to defer the following items to a future meeting in September 2023, the meeting minute of 1<sup>st</sup> March 2023, Review of Action Log, Business Planner and Internal Audit Update Report.

#### **4. Appointment of Vice Chair**

4.1 The Committee noted that the Integration Joint Board had earlier in the day agreed to appoint Councillor S Logan to the position of Vice-Chair of the IJB Audit Committee, following his appointment as a replacement member to replace Councillor Reynolds on the IJB and the IJB Audit Committee. The Chair welcomed Councillor Logan to the Committee and to the role of Vice-Chair.

#### **5. Internal Audit Reports**

5.1 The Chief Internal Auditor presented a report advising the IJB Audit Committee of the outcomes of completed audits.

5.2 The completed audits reported to Committee were as follows –

- Internal Audit Report 2310 – Adults with Incapacity – March 2023
- Internal Audit Report 2317 – Day Care Establishments – March 2023
- Internal Audit Report 2321 – Criminal Justice – April 2023

The report explained that the results from individual audit activities had not previously been considered by this, or another Committee, with the exception of any outputs relating to audits contained in the Aberdeenshire Council Internal Audit Plan that related to Adult Social Care. In such cases, the output would have been considered by the Aberdeenshire Council Audit Committee prior to being considered by this Committee.

### **5.3 Internal Audit Report 2310 – Adults with Incapacity – March 2023**

Internal Audit identified an overall net risk rating of ‘Major’ with ‘limited’ assurance obtained over that area. Areas of controls were in development but had yet to be fully implemented. Significant gaps, weaknesses or non-compliance had been identified, improvement was required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

The management response confirmed that all matters highlighted were accepted and the agreed plan would be actioned to undertake the required necessary improvement actions. It advised that the subject matter was complex and the audit had uncovered deficits that appeared long standing and the service would make every effort to improve and would take improvement duties very seriously.

Members noted that a short life working group had been formed to take action to address the recommendations of the internal audit. In addition, the Chief Internal Auditor advised that the report had been considered by the Council’s Audit Committee on 18 May 2023 (Item 7) and the Committee were not assured and had initiated the Committee Review Process.

The Committee heard from the Mental Health and Learning Disability Manager, who explained that the Service welcomed the Internal Audit Report and went on to respond to the areas highlighted within the report.

### **5.4 Internal Audit Report 2317 – Day Care Establishments – March 2023**

The Chief Internal Auditor advised that there was a generally sound system of governance, risk management and control in place. The level of net risk was assessed as moderate with the control framework deemed to be providing reasonable assurance over income, expenditure and payroll. Whilst there were elements of good practice in respect of specific areas of operations at individual establishments, these were not replicated across all of the activities and sites.

The management response indicated that the areas of concern were noted and actions were in place to address the concerns, within agreed timescales.

The Committee heard from the Mental Health and Learning Disability Manager, who explained that the Service welcomed the Internal Audit Report and went on to respond to the areas highlighted within the report.

### **5.5 Internal Audit Report 2321 – Criminal Justice – April 2023**

The Chief Internal Auditor advised that there was a generally sound system of governance, risk management and control in place. The level of net risk was assessed as moderate with reasonable assurance obtained over the area. He highlighted that the Criminal Justice system was funded by a ringfenced grant from the Scottish Government, and it was therefore important that there were detailed supporting records for the use of this funding.

The management response indicated that the Service welcomed the internal audit review of the financial administration of criminal justice social work, acknowledged the moderate risk rating identified, and actions would be progressed to review and

re-emphasise the need for control over these areas, including implementing further checks and reviews to ensure that improvements made were sustained and established as working practice across the whole service.

The Committee heard from the Criminal Justice and Substance Misuse Manager, who explained that the Service welcomed the Internal Audit Report and went on to respond to the areas highlighted within the report.

- 5.6 Following discussion, the Committee agreed to note that all the actions contained within the audit reports had been captured in the Action Plan, which would be updated regularly, and that the Committee would welcome a progress report on all the actions in 6 months.

## **6. Internal Audit Annual Report 2022/23**

- 6.1 There had been circulated a report dated 20 June, 2023 by the Chief Internal Auditor, providing the Committee with Internal Audit's Annual Report for 2022/23.

The report covered the period from 1 April 2022 to 31 March 2023 and any work finalised during the 2022/23 assurance period. It also took account of work undertaken up to the date of the issue of the report. The report was grounded in the whole activity and work of Internal Audit, whether in terms of formal audit evidence and work, management assurance and consultancy activity, or evidence gathered through wider engagement across the Integration Joint Board and Council overall.

The report highlighted that it was 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.

The Chief Internal Auditor explained that the Annual Report was designed to meet three objectives:

1. to present to the IJB Audit Committee and, through them, the Council, with a formal opinion on the adequacy and effectiveness of the Board's arrangements for: Governance, Risk Management, and Internal Control;
  2. a narrative over the key strategic and thematic findings from the assurance work undertaken by Internal Audit during 2022/23, drawing out key lessons to be learned; and
  3. an account of the assurance activities and resources of Internal Audit during the period 2022/23.
- 6.2 The Committee heard from the Chief Internal Auditor who advised that after consideration of the results of the work carried out by Internal Audit, it was his opinion that he could only provide limited assurance that the Aberdeenshire Integration Joint Board had adequate systems of governance, risk management and internal control, covering the period 1 April 2022 to 31 March 2023. He advised that during 2022/23, including post year end assurance work, Internal Audit had completed 10 reviews across the IJB and Health and Social Care Partnership services delivered by the Council. Analysis of the findings negatively

highlighted that in many instances it was the case that there was inadequate risk management arrangements and weaknesses in design, and/or inconsistent application of controls, these put the achievement of the Board's objectives at risk. Significant gaps, weaknesses and non-compliance were identified throughout the year and improvement was required to the systems of governance, risk management and control to effectively manage risks to the achievement of objectives.

- 6.3 The Committee heard from the Chief Officer who confirmed that the findings of the Internal Audit Annual report were acknowledged by the Service, and the Senior Management Team was working hard to address the issues raised, and she provided a commitment to ensuring that the necessary improvements were implemented at pace. She thanked the Chief Internal Auditor for his ongoing support and that of his team in moving forward.
- 6.4 During discussion, Members expressed concern regarding the nature of the Chief Internal Auditor's opinion and the large number of audit recommendations that had been made during the past year; noted that a report from the Risk and Assurance Group, which would be overseeing the work to address the recommendations would report regularly with updates to the IJB Audit Committee; discussed the potential for the need for additional resources to support the ongoing work; considered the need for a detailed plan from the Chief Officer along with timescales and an indication of the ongoing work by the various groups and addressing the issue of resources to support the review; and the need to refer the report to the IJB for their information.

## **7. External Audit Plan 2022/23**

- 7.1 Chief Finance and Business Officer provided a report containing the External Auditors audit plan for the audit of the 2022/23 financial year, to be carried out by Grant Thornton, External Auditor.

The report explained that the programme of work within the plan was set in accordance with Audit Scotland's Code of Audit Practice and provided for the necessary assurances required to support their opinion on the Board's financial statements and wider scope audit responsibilities.

Having heard from Grant Thornton, the Committee agreed to note the Audit Plan for External Audit for 2022/23, as detailed in the report.

## **8. Unaudited Annual Accounts 2022/23**

- 8.1 There had been circulated a report by the Chief Finance and Business Officer which asked the Committee to consider the unaudited Annual Accounts for the year to 31 March 2023.

The report reminded the Committee that the Aberdeenshire Integration Joint Board (IJB) had a statutory responsibility to prepare its Annual Accounts by 30 June, following the financial year end on 31 March. The format of the annual accounts followed local authority accounting standards and hence complied with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). Preparation of the Accounts must also be in accordance with the Local

Authority Accounts (Scotland) Regulations 2014 and these included a requirement that the Integration Joint Board (IJB) or a committee with audit responsibilities must meet to consider the unaudited Annual Accounts as submitted to the Auditor.

The Chief Finance and Business Officer advised that the audit of the accounts would take place over the summer and the final audited accounts would be reported to the IJB Audit Committee for consideration in September 2023.

## **9. Risk Assurance Group Update – June 2023**

9.1 Group to be chaired on an interim basis by the AHSCP Chief Officer.

### **9.2 Risk Register**

Risk register as at end of May was presented. A number of new risks have been added to the risk register including:

- Care Home payments
- Increase in the older population

An update was provided to the group on 2 areas of risk namely risk 3273 Police Custody and risk 3318 Mental Health LD admin support.

### **9.3 Reporting to IJB Audit Committee**

As part of the agreed ToR and the work going on around Governance, this group will be reporting to every IJB audit committee with the main areas from this meeting.

### **9.4 Audit Outcomes and Forthcoming Audits**

Discussion reiterating that continued strong ownership across the whole of HSCP is required around outstanding actions with actions closed off on a timely basis. Themes have been identified from recommendations and this group will hold responsibility for some of these.

All outstanding recommendations have been pulled into one tracker, this is included on the Risk and Assurance Group Teams space to hold information that will provide further assurance to IJB.

Regarding IJB Governance Audit clarified that the process for special urgency powers has now been formalised and agreed by IJB. Currently drafting a flow chart for all strategy development and making it clear when IJB will be consulted on. This will go to SMT for initial sign off. Workforce plan update is going to IJB to provide assurance.

9.5 The Governance Short Life Working Group has been re-instated and will report into this group.

## **10. IJB Audit Committee Governance – Terms of Reference and Development of Assurance Framework**

10.1 A report was presented by the Chief Officer requesting that the Committee initiate a review of its Terms of Reference, agree to review the Committee's effectiveness, consider the proposals for an assurance framework and that a development session be scheduled to progress the recommendations.

The report advised that the Terms of Reference for the Audit Committee were reviewed and agreed by the IJB in March 2022, and it was now appropriate to review the Terms of Reference and to consider developing an assurance framework which could be used by the Committee when considering its reports.

The report also proposed that a development session be scheduled to facilitate a robust review of the Committee's effectiveness and to review the Terms of Reference and thereafter report back to the Committee.

The Committee heard from the Interim Strategic Governance Review Manager, who advised that the report covered three separate but connected issues, these being –

- (1) the review of the Terms of Reference, to ensure it was fit for purpose,
- (2) an exercise of self-reflection in the review of the effectiveness of the Committee, and
- (3) to consider a proposed assurance framework, which would provide structure and would guide consideration of scrutiny activity and assurance.

After discussion, the IJB Audit Committee agreed to agree to initiate a review of the Audit Committee Terms of Reference, to review the Committee's effectiveness including consideration of any development and training needs in line with the Committee's Terms of Reference, to consider the proposals for an assurance framework contained within Appendix 1 to the report, to instruct the Chief Officer to identify a date for a development session to progress the above recommendations and that Officers should explore the potential to seek external assistance to support the process.

## **11. Risks**

11.1 IJB Risk 1 Sufficiency and affordability of resource.

## **12. Monitoring**

12.1 The Chief Officer and the Legal Monitoring Officer within Business Services of the Council have been consulted in the preparation of this report and any comments have been incorporated.

### **13 Equalities, Staffing and Financial Implications**

13.1 An equality impact assessment is not required because the recommended actions are not considered to have a differential impact on people with protected characteristics.

13.2 Any staffing and financial implications arising directly as a result of this report are narrated in the report.

**Amy Anderson**  
**Chair – IJB Audit Committee**

Report prepared by  
Chris Smith  
Chief Finance and Business Officer 9 August 2023