

South Ayrshire Council

Report by Chief Internal Auditor  
to Audit and Governance Panel  
of 20 March 2024

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**Subject: Proposed Internal Audit Plan 2024/25 (including Annual Review of Internal Audit Charter)**

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**1. Purpose**

- 1.1 The purpose of this report is to submit, for approval, the proposed Internal Audit Plan and reserve list for 2024/24. Approval is also being sought for the revised Internal Audit Charter.

**2. Recommendation**

**2.1 It is recommended that the Panel:**

**2.1.1 approves the annual audit plan for 2024/25 ([Appendix 1](#)); and**

**2.1.2 approves the reserve list for 2024/25 ([Appendix 2](#));**

**3. Background**

- 3.1 Local authorities are required to have an internal audit service under paragraph 7 of The Local Authority Accounts (Scotland) Regulations 2014. The local authority '*must operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing*'. All Internal Audit work is undertaken in accordance with the [Public Sector Internal Audit Standards \(PSIAS\)](#)

- 3.2 Internal Audit is an assurance function that primarily provides an independent and objective opinion on the control environment within South Ayrshire Council. The annual audit plan is designed to assist the Chief Internal Auditor in formulating that opinion.

- 3.3 Public Sector Internal Auditing Standards (PSIAS) require a specific risk-based approach to be taken when preparing audit plans.

- 3.4 Strategic and Directorate risk registers were considered when developing this plan. In addition, Internal Audit held discussions with senior officers in all Services. These discussions focussed on areas of risk within the Service and included consideration of changes to organisational structure or operational practices resulting from service redesigns, changes in legislation or external reporting requirements, ICT system developments and additional funding, where relevant. The links to the strategic risk register are detailed in [Appendix 3](#).

3.5 Other areas considered when developing this draft internal audit plan include external audit reports, Audit Scotland national reports and cumulative knowledge and experience of risks and prior year findings. Taking these factors into account, the highest risk areas are brought forward in the draft annual audit plan.

3.6 The proposed plan provides time to deliver a range of assignments that align to the Council's priorities as well as seeking to provide assurance around the general control environment of the Council.

## 4. Proposals

### 4.1 *Internal Audit Plan 2024/25*

4.1.1 **Categories of Internal Audit Work:** the audit plan is split into eight key areas of audit work:

- (i) **Key Corporate Systems:** systems audits are conducted to ensure expected controls are embedded within the system and are operating effectively.
- (ii) **Governance/Best Value:** best value is about ensuring that there is good governance and effective management of resources, with a focus on improvement, to deliver the best possible outcomes.
- (iii) **ICT Auditing:** ICT audit work focuses on controls which are embedded within systems and technology across the organisation. As well as this specific category, ICT audit testing will also be used in other areas of the plan (e.g. using computer assisted audit techniques to perform continuous auditing and performing logical access testing when reviewing other systems).
- (iv) **Directorates/Other Systems:** the internal audit plan takes account of the council's risk assessment process and includes a review of the strategic and directorate risk registers as well as the audit universe (a list of all auditable entities within the organisation). From this, specific areas are identified for inclusion in this section of the plan, audit assignments focus on internal control arrangements operating in services within the Council.
- (v) **Regularity:** these audits are used to determine the extent to which Council and departmental policies and procedures are being followed. Continuous auditing is used to analyse large amounts of data on an ongoing basis to ensure controls are operating as expected.
- (vi) **Follow Up Assignments:** Internal Audit recommendations due in the period April 2024 to March 2025 will be risk assessed and followed-up to ensure implementation of all actions within all red reports and high risk actions including testing to confirm all actions full implemented. Medium risk actions will be included in audit testing where time permits.
- (vii) **Other Entities:** the Chief Internal Auditor of the Council is also the Chief Internal Auditor of Ayrshire Valuation Joint Board and the South Ayrshire Integration Joint Board and the plan includes resources allocated to these entities. An allocation of time to conduct this audit work is included in the proposed annual Internal Audit plan but it is the responsibility of those bodies to approve

the planned audit work for their respective areas. The Chief Internal Auditor takes assurance from work conducted by the audit team at East Ayrshire Council on Ayrshire Roads Alliance (ARA).

- (viii) **Other Commitments:** days are allocated in this area to carry out work which cannot be specified at the start of the year, including investigations and provision of ad-hoc advice and guidance. A contingency budget is also included for unplanned commitments arising throughout the year. Activity, and duties which are internal to the service such as reporting, planning, and audit development are included under other commitments. An allocation of time has also been included within this section of the proposed plan to provide advice and guidance to the Transformation Programme.

## 4.2 Resources

- 4.2.1 The budgeted establishment for Internal Audit is 3.6 full time equivalents (FTE). All posts within the Internal Audit team are professionally qualified positions. The 2024/25 draft audit plan has been produced taking into consideration the number of available working days per Internal Audit staff member. It should be noted that this can be subject to amendment during the year, for example for any periods of unplanned long term absence.

| Category                     | 2023/24    | 2024/24    |
|------------------------------|------------|------------|
| Key Corporate Systems        | 60         | 45         |
| Governance/Best Value        | 95         | 70         |
| ICT Auditing                 | 15         | 15         |
| Directorates/Other Systems   | 100        | 140        |
| Regularity                   | 72         | 80         |
| Follow Up Reviews            | 38         | 37         |
| Other Entities               | 50         | 50         |
| Other Commitments            | 180        | 191        |
| <b>Total of planned days</b> | <b>610</b> | <b>628</b> |

- 4.2.2 An allocation of time is included within “Other Commitments” for contingency and investigations. Planned audit assurance work should be completed within the resources available, provided there is no significant increase in the budget required to undertake additional work, such as large special investigations arising from Whistleblowing.

- 4.2.3 The Public Sector Internal Audit Standards require that the audit plan should be kept under review to identify any amendments required to reflect changing priorities and emerging risks. Any future changes will be based on a full risk assessment during the year and will be presented to the Panel for approval.

4.3/

### 4.3 **Performance Indicators**

4.3.1 Internal audit's performance is measured against three key indicators:

- Productivity/ utilisation;
- Percentage of reviews completed in audit plan; and
- Number of ad-hoc requests and investigations.

Performance against these indicators will be reported to Panel throughout the year.

4.3.2 In addition, the time spent on audits and the time taken to complete audits is monitored on a continual basis by the Chief Internal Auditor. A single indicator does not exist for this measure, as the various audit assignments are significantly different in the type of audit work undertaken and the budget required to achieve the audit objectives. The performance information maintained for this indicator includes the measurement of time against budget as well as the elapsed time taken from the agreement of the Terms of Reference through to the issuing of the final report. This information is used to track completion of the audit plan on an ongoing basis and to assign work within the team.

### 4.4 **Developments and Training**

4.4.1 The training needs of the service continue to be reviewed on an ongoing basis, and where gaps are identified, action is taken to address these. Networking opportunities are continually explored:

- the Chief Internal Auditor attends the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG);
- the Senior Auditor attends the Computer Audit Sub Group (CASG) and the Data Analytics group. Further development and training opportunities will be explored as they arise.

4.4.2 The service undertakes an annual self-assessment exercise, using the toolkit provided with the PSIAS. Actions arising from this will be included in an Internal Audit action plan presented to Panel for approval around November 2024. South Ayrshire Council's five year independent external review of compliance with PSIAS is currently ongoing. The results of this assessment will be included in update reports to Panel once the final report has been completed.

### 4.5 **Internal Audit Charter**

4.5.1 The Internal Audit Charter is a formal document which defines the internal audit activity's purpose, authority and responsibility. The Chief Internal Auditor reviews the charter on an annual basis and presents any changes to the Panel for approval.

4.5.2 The annual review has been completed and no changes are required at this time. A copy of the Internal Audit Charter is attached at [Appendix 4](#).

## **5. Legal and Procurement Implications**

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

## **6. Financial Implications**

6.1 Not applicable.

## **7. Human Resources Implications**

7.1 Not applicable.

## **8. Risk**

### **8.1 *Risk Implications of Adopting the Recommendations***

8.1.1 There are no risks associated with adopting the recommendations.

### **8.2 *Risk Implications of Rejecting the Recommendations***

8.2.1 Failure to comply with the Public Sector Internal Audit Standards (PSIAS) and meet our obligation to provide an annual internal audit opinion.

## **9. Equalities**

9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached at [Appendix 5](#).

## **10. Sustainable Development Implications**

10.1 ***Considering Strategic Environmental Assessment (SEA)*** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

## **11. Options Appraisal**

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

## **12. Link to Council Plan**

12.1 The matters referred to in this report contribute to the three priorities in the Council Plan; Spaces and Places; Live, Work, Learn and, Civic and Community Pride.

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### **13. Results of Consultation**

- 13.1 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided

**Background Papers**    [Public Sector Internal Audit Standards \(PSIAS\)](#)

[Internal Audit Charter – March 2023](#)

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**Date:** 6 March 2024

## PROPOSED INTERNAL AUDIT PLAN 2024/25

| No                           | Audit Area                         | Objectives   | Link to Council Plan Priorities and Cross Cutting Themes | Link To Strategic Risk Register (as at 1/8/23) | Estimated Days | Total Estimated Days |
|------------------------------|------------------------------------|--|--|--|----------------|----------------------|
| <b>Key Corporate Systems</b> |                                    |  |  |  |                |                      |
| 1                            | Main Accounts                      | Follow up actions from 2024/25 audit work if required and obtain assurance controls are operating effectively.                               | Best Value   | 3/11   | 15             |                      |
| 2                            | HR & Payroll                       | Follow up actions from 2024/25 audit work if required and obtain assurance controls are operating effectively.                               | Live, Work Learn/Best Value                              | 11   | 15             |                      |
| 3                            | Procurement                        | Follow up actions from 2024/25 audit work if required and obtain assurance controls are operating effectively.                               | Best Value   | 11   | 15             | <b>45</b>            |
| <b>Governance/Best Value</b> |                                    |  |  |  |                |                      |
| 4                            | National Fraud Initiative (NFI)    | Co-ordination and Monitoring of Exercise.  | Best Value   | 4  | 10             |                      |
| 5                            | Following the Public Pound         | Ayrshire Growth Deal - Follow Up of actions from 2023/24 Assignment (if required). Review of contract management within the AGD programme.   | Best Value   | 1  | 20             |                      |
| 6                            | Government and Best Value          | Obtain assurance that adequate arrangements are in place for the use of consultancy services throughout the Council.                         | Best Value   | 4  | 20             |                      |
| 7                            | Following the Public Pound         | Obtain assurance that there are adequate arrangements in place across the Council to monitor the receipt and issue of grants.                | Best Value   | 1  | 20             | <b>70</b>            |
| <b>ICT Auditing</b>          |                                    |  |  |  |                |                      |
| 8                            | Access Controls                    | Obtain assurance that there are adequate controls in place over the employee access to Council networks, systems and devices within schools. | Live, Work Learn/The Promise                             | 13   | 15             | <b>15</b>            |
| <b>Directorates</b>          |                                    |  |  |  |                |                      |
| 9                            | Health and Social Care Partnership | Financial Intervention Orders/Corporate Appointeeship - Review of the financial intervention orders/corporate                                | The Promise/Our Ageing Population                        | 6  | 15             |                      |

| No                | Audit Area                         | Objectives  | Link to Council Plan Priorities and Cross Cutting Themes | Link To Strategic Risk Register (as at 1/8/23) | Estimated Days | Total Estimated Days |
|-------------------|------------------------------------|---|--|--|----------------|----------------------|
|                   |                                    | appointeeship procedures to confirm carried out timeously.  |  |  |                |                      |
| 10                | Health and Social Care Partnership | CM 2000 review to confirm it meets expected objectives and that outputs from the system are reliable.   | The Promise/Our Ageing Population                        | 6  | 20             |                      |
| 11                | Education                          | Review the use of Pupil Equity Fund (PEF) to confirm compliance with the conditions of the fund/national guidance.                            | The Promise,/Live Work Learn                             | 9  | 15             |                      |
| 12                | Strategic Change and Communities   | Climate Change - scope to be agreed following development of national audit programme.  | Sustainability, climate change and biodiversity          | 8  | 15             |                      |
| 13                | Chief Executives (Human Resources) | Using Data analytics to confirm all employees have a current/valid Protection of Vulnerable Groups (PVG) Certificate in place where required. | The Promise/Our Ageing Population                        | 6  | 10             |                      |
| 14                | Housing Operations and Development | Review of Transport Management System post implementation to confirm it meets expected objectives.  | Spaces and Places  | 13   | 20             |                      |
| 15                | Housing Operations and Development | Review Performance information included in the Annual Return on the Charter (ARC).  | Best Value   | 3  | 15             |                      |
| 16                | Housing Operations and Development | Review of Scottish Housing Regulator - Annual Assurance Statement.  | Spaces and Places  | 3  | 20             |                      |
| 17                | Housing Operations and Development | Obtain assurance that the new procedure for malicious damage invoices includes adequate controls and is operating effectively.                | Best Value   | 4  | 10             | <b>140</b>           |
| <b>Regularity</b> |                                    |   |  |  |                |                      |
| 18                | Continuous Auditing                | Account Payables, Payroll and Debtors and develop the use of Continuous Audit throughout the Council.   | Best Value   | 4  | 40             |                      |
| 19                | Grants                             | Audit of claims and annual review of procedures, Ayrshire Rural and Island Ambition Fund (ARIA).  | Live, Work, Learn  | 4  | 10             |                      |



| No                       | Audit Area                | Objectives  | Link to Council Plan Priorities and Cross Cutting Themes | Link To Strategic Risk Register (as at 1/8/23) | Estimated Days | Total Estimated Days |
|--------------------------|---------------------------|---|--|--|----------------|----------------------|
| 20                       | Grants                    | Review of evidence to support Network Support Grant claim.  | Spaces and Places/Our Ageing Population                  | 4  | 5              |                      |
| 21                       | Self-Assessment Checklist | Internal Control Self Assessment Toolkit - Management of the Annual Process - Social Work Locations.  | The Promise/Our Ageing Population                        | 4  | 10             |                      |
| 22                       | Self-Assessment Checklist | Internal Control Self Assessment Toolkit - Management of the Annual Process - Schools.  | Live Work Learn/The Promise                              | 4  | 10             |                      |
| 23                       | Stores                    | Obtain assurance that there are adequate controls in place to ensure Property Maintenance stock adjustments between the stock count and end and 31/3/2024 are correctly recorded. | Best Value/ Live, Work, Learn                            | 14   | 5              | <b>80</b>            |
| <b>Follow Up Reviews</b> |                           |   |  |  |                |                      |
| 24                       | Directorates              | Follow up of Actions from 2023/24 Audit Assignment - <b>Waste Management.</b>   | -  | 5/15   | 7              |                      |
| 25                       | ICT Auditing              | Follow up of Actions from 2023/24 Audit Assignment- <b>Social Media.</b>  | -  | 5/13   | 5              |                      |
| 26                       | ICT Auditing              | Follow up of Actions from 2022/23 Audit Assignment - <b>Systems Access Controls.</b>  | -  | 5/13   | 10             |                      |
| 27                       | Governance and Best Value | Follow up of Actions from 2023/24 Audit Assignment- <b>Participatory Budgets.</b>   | -  | 1/5/11   | 5              |                      |
| 28                       | Directorates              | Follow up of Actions from 2023/24 Audit Assignment- <b>Cash income at Leisure facilities.</b>   | -  | 4/5  | 5              |                      |
| 29                       | Governance and Best Value | Follow up of Actions from 2023/24 Audit Assignment - <b>Procurement - Framework Agreements.</b>   | -  | 4/5  | 5              |                      |
| <b>Other Entities</b>    |                           |   |  |  |                |                      |
| 30                       | AVJB                      | To be approved by AVJB.   | -  | -  | 25             | <b>50</b>            |
| 31                       | IJB                       | To be approved by IJB.  | -  | -  | 25             |                      |

| No           | Audit Area                                     | Objectives   | Link to Council Plan Priorities and Cross Cutting Themes | Link To Strategic Risk Register (as at 1/8/23) | Estimated Days | Total Estimated Days |
|--------------|--|--|--|--|----------------|----------------------|
| <b>Other</b> |  |  |  |  |                |                      |
| 32           | Investigations                                 | Allowance for investigations of irregularities.  | -  | 4  | 25             |                      |
| 33           | Advice and Guidance                            | Client requests, advice and consultancy - including participation on working groups.                                 | -  | -  | 10             |                      |
| 34           | Transformation Programme                       | Allocation of time to allow Internal Audit to provide advice & guidance and support to the Transformation Programme. | -  | 3  | 30             |                      |
| 35           | Contingency                                    | Contingency budget for unplanned commitments arising during the year.  | -  | -  | 20             |                      |
| 36           | Closure of prior year assignments              | Allowance of time for the closure of prior year audit work into 2024/25.   | -  | -  | 55             |                      |
| 37           | Management and Audit development               | Internal Audit planning, annual reporting, and quarterly reporting and Chief Internal Auditor Review of assignments. | -  | -  | 46             |                      |
| 38           | Quality Improvement Assurance Programme (QAIP) | Annual self-assessment of compliance with PSIAS.   | -  | -  | 5              | <b>191</b>           |
| <b>TOTAL</b> |  |  |  |  |                | <b>628</b>           |

## PROPOSED RESERVE LIST 2024/25

| Rank* | Audit Area                                | Description  | Estimated Days |
|-------|---|--|----------------|
| 1     | Service Redesign-PDS/SPP Service          | Review of new processes/procedures to obtain they include adequate controls  | 20             |
| 2     | Direct Awards (non-framework)             | Review non framework Direct Awards to confirm compliance with the Council's Standing Orders Relating to Contracts  | 10             |
| 3     | Asset Management/Community asset transfer | Review of asset management/ community asset transfer processes/procedures to ensure they include adequate controls to protect the Council for financial loss | 20             |
| 4     | Service Level Agreement                   | ARA - Obtain assurance of compliance with SLA, specifically in relation to performance reporting.  | 20             |
| 5     | Rent Rebates/Rent Allowances              | Obtain assurance that there are adequate anti-fraud controls around the award of rent rebates and rent allowances  | 15             |
| 6     | Asset Management/Community asset transfer | Review of asset management/ community asset transfer processes/procedures to ensure they include adequate controls to protect the Council for financial loss | 20             |

\*Ranked in order of risk assessment

**LINKS BETWEEN STRATEGIC RISK REGISTER (AS AT 1 AUGUST 2023 ) AND  
2024/25 INTERNAL AUDIT PLAN**

| <b>Risk No</b> | <b>Risk Title</b>                                   | <b>2024/25 Assignment</b>  |
|----------------|---|--|
| 1              | Decision making and governance                      | Ayrshire Growth Deal, Following the Public Pound, use of Consultants   |
| 2              | External factors including contingency planning     | -  |
| 3              | Strategic planning                                  | Support to Transformation Programme, review of controls within Oracle Fusion (Main Accounting), time to allow Internal Audit to respond to requests from services, Review of Scottish Housing regulator assurance statement and Performance information included in the Annual Return on the Charter |
| 4              | Integrity   | NFI, Self-Assessment, Grant Audits, Continuous Auditing, Stores, Malicious Damage Invoice Process  |
| 5              | Internal Audit Actions                              | Follow Up Assignments  |
| 6              | Adult and Child Protection                          | Financial Intervention Orders/Corporate Appointeeship, CM 2000 review,   |
| 7              | Public and Employee Protection                      | -  |
| 8              | Sustainable Development and Climate Change          | Climate Change   |
| 9              | Financial Inclusion                                 | Review the use of Pupil Equity Fund, follow up of Participatory Budgets  |
| 10             | Ground Maintenance - Ash Tree Die Back              | -  |
| 11             | Financial Constraints                               | Review of controls within Oracle Fusion (Main Accounting, HR and Procurement),   |
| 12             | Employee Absence                                    | Review of controls within Oracle Fusion (HR )  |
| 13             | ICT – Digital Resilience, Protection and Capability | Follow Up of Systems Access Controls, Access controls within schools, Review of Transport System, Review of CM 2000  |
| 14             | Management of Assets                                | Follow Up of Systems Access Controls, Stores   |
| 1              | Decision making and governance                      | Ayrshire Growth Deal, Following the Public Pound, use of Consultants   |

## South Ayrshire Council Internal Audit Charter

### 1. Introduction

Under the Local Authority Accounts (Scotland) Regulations 2014 paragraph 7(1), a local authority must operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing. The standards and practices applied in the UK for all public sector internal audit providers, in-house, shared or outsourced, are the Public Sector Internal Audit Standards (PSIAS), which came into effect in April 2013 (updated in April 2017).

South Ayrshire Council has fully adopted the Public Sector Internal Audit Standards (PSIAS), which defines internal auditing as:

*Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.*

PSIAS (Standard 1000), requires that the purpose, authority, and responsibility of the Internal Audit activity must be formally defined in an Internal Audit Charter which is consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*.

The full Standards and Code of Ethics are available via this link: [PSIAS](#).

### 2. Core Principles

The Core Principles (PSIAS Section 5), taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective, all principles should be present and operating effectively:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focussed
- Promotes organisational improvement.

The *Core Principles for the Professional Practice of Internal Auditing*, the *Code of Ethics*, the *Standards*, and the *Definition of Internal Auditing* are mandatory.

### 3. Roles and Definitions

The PSIAS (Standard 1000) requires the Council to define its interpretation of the following generic terms for the purposes of internal audit activity:

- 'The Board' – the Audit and Governance Panel
- 'The Chief Audit Executive' – the Chief Internal Auditor

- ‘Senior Management’ – the Executive Leadership Team

Other roles laid out in the PSIAS are defined in South Ayrshire Council as:

- ‘The Head of Paid Service’ – Chief Executive
- ‘The Monitoring Officer’ – Head of Legal and Regulatory Services
- ‘The Chief Financial Officer’ – Head of Finance, Procurement and ICT

#### **4. Role of the Audit Committee**

The Audit and Governance Panel acts as the Council’s audit committee. In that capacity it has the following responsibilities:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- receiving communications from the Chief Internal Auditor on Internal Audit performance relative to its plan and other matters; and
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations placed on the service.

#### **5. Role of Senior Management**

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance.

Accountability for the response to the advice and recommendations of Internal Audit lies with management. Managers must either accept and implement the advice and recommendations, or formally reject them accepting responsibility and accountability for doing so.

#### **6. Mission of Internal Audit**

To enhance and protect organisational value, by providing risk-based and objective assurance, advice and insight.

#### **7. Authority of Internal Audit**

The authority of Internal Audit is contained in the Financial Regulations of the Council (updated December 2018) and Internal Audit reports administratively to the Depute Chief Executive and Director – People, and in line with PSIAS reports functionally to the Audit and Governance Panel.

Officers of Internal Audit have authority per the Financial Regulations, on production of identification, to:

- enter at all reasonable times any Council premises or land;
- have unrestricted access to all records, personnel, assets, documents and correspondence relating to any financial or other transaction of the Council;
- have access to all IT hardware/software running systems on behalf of South Ayrshire Council, including hardware/software owned by third party service providers;
- require and receive such explanations as are necessary concerning any matter under examination; and
- require any employee of the Council to produce cash, stores or any other Council property under his/her control.

#### **8. Position of Internal Audit**

Internal Audit is an independent review activity. It is not an extension of, or a substitute for, the functions of line management. Internal Audit must be independent and therefore remain free from undue influence or other pressures affecting its actions and reporting and to that end:

- Internal Audit has a direct reporting line to the Chief Executive and functionally to the Council's Audit and Governance Panel in its role as the Council's audit committee;
- the Chief Internal Auditor has unfettered access to the Executive Leadership Team;
- the Chief Internal Auditor meets regularly with the Chair of the audit committee;
- the Chief Internal Auditor attends all audit committee meetings; and
- all audit reports are issued directly by, and in the name of, the Chief Internal Auditor.

## **9. Responsibilities and Objectives of Internal Audit**

A professional, independent, and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The main objectives of Internal Audit are:

- Examine, evaluate and report on the adequacy of internal controls as a contribution to the efficient, effective and economic use of resources;
- Follow up, on a sample basis, the implementation of audit action points;
- Maintain independence and integrity to permit the proper performance of the audit function;
- Prepare an annual evidence based opinion on the adequacy of the Council's internal control systems;
- Assist officers and members of the authority in the effective discharge of their responsibilities including the Council's Monitoring Officer and the Section 95 Officer; and
- To support the Chief Executive in discharging their overall responsibilities as Head of Paid Service.

The Chief Internal Auditor's annual report is presented to the Audit and Governance Panel and is used to support the Council's Annual Governance Statement.

## **10. Independence and Objectivity**

Internal Audit is completely independent of all financial systems operating within the Council. Internal Audit will determine its priorities with those charged with governance.

Senior management is responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services. Line management is responsible for maintaining internal control, including the maintenance of proper accounting records and other management information suitable for running the affairs of the Council.

Internal Audit will not be responsible for the development or implementation of any activity which it would normally review. Staff of Internal Audit will not assume responsibility for the design, installation, operation or control of any procedures within directorates. Internal Audit can however advise on the internal control implications of any proposed systems changes, including new systems being introduced. Internal Audit should be informed by management of all proposals for new systems and major alterations to current systems. Internal Audit will work with relevant managers to ensure that appropriate mechanisms are incorporated to minimise control risks.

The internal audit team will ensure that independence and objectivity are maintained in line with the PSIAS (Standards 1100-1130) including where non-audit work is undertaken. Internal auditors will have no operational responsibilities. Internal Auditors are required to complete an annual Declaration of Independence and an objectivity register is in place to ensure an accurate and up to date register of all potential conflicts is maintained.

Internal auditors will treat as confidential the information they receive in performing their duties. There must not be any unauthorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information gained in the course of an audit will not be used to effect personal gain.

## **11. Planning**

Internal Audit's primary task will be to review the systems of internal control operating throughout the Council. The responsibility for the production and execution of the risk based audit plan and subsequent audit activities rests with the Chief Internal Auditor.

The Chief Internal Auditor will:

- prepare an annual audit plan which will be regarded as flexible and will be continually amended and updated in the light of experience gained from audit work conducted, emerging risks to the Council and the changing environment in which audit work is conducted.
- agree the annual plan with the Chief Executive;
- seek elected members approval of the plan via the Audit and Governance Panel in its role as the Council's Audit Committee; and
- present a report each year to members outlining the actual audit work undertaken in the previous financial year and also giving an overall opinion on the adequacy of the systems and controls operated by the Council. This will include a statement confirming internal audit's compliance with PSIAS.

## **12. Arrangements for Appropriate Resourcing**

As stated in the CIPFA Application Note, *"No formula exists that can be applied to determine internal audit coverage needs. However, as a guide, the minimum level of coverage is that required to give an annual evidenced-based opinion. Local factors within each organisation will determine this minimum level of coverage."*

The annual audit plan is based on the number of audit resources available for the year with the objective of giving an evidence based opinion. High risks identified during the audit planning process are accommodated. Different areas of key financial systems are audited on an annual basis scheduled over a multi-annual cycle to ensure coverage of the whole systems.

If during the risk assessment at the planning stage a shortfall in resources available is identified, the Chief Internal Auditor will advise the Chief Executive followed by the Executive Leadership Team and Audit and Governance Panel as required to assess the associated risks or to recommend additional resources are identified.

Internal audit work is prioritised according to risk, through the judgement of the Chief Internal Auditor, informed by the Council's risk registers and in consultation with the Corporate Leadership Team.

Should circumstances arise, during the year, that resources fall or appear to be falling below the minimum level required to provide an annual evidence based opinion the Chief Internal Auditor will advise the Chief Executive, the Executive Leadership Team and the Audit and Governance Panel.

## **13. Assurance Services**

Internal Audit work covers all Council activities, systems and processes and includes (but is not limited to):

- examining and evaluating the adequacy of the Council's system of internal control, including those pertaining to the deterrence, detection and investigation of fraudulent or illegal acts;



- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- reviewing the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- appraising the economy and efficiency with which resources are employed;
- reviewing the identification and assessment of risk by management;
- reviewing aspects of the control environment affected by significant changes to the organisation's risk environment;
- reviewing the Council's procedures and activities in relation to best value;
- co-ordinating Internal Audit activities with the work of the external auditors and assisting the external auditors as required;
- recommending, in consultation with management, appropriate solutions to identified systems weaknesses;
- ensuring management has confirmed action has been taken to implement audit recommendations; and
- in line with the principles of Following the Public Pound Internal Audit shall review, appraise and report on all services and other activities for which the Council is responsible or accountable, whether delivered directly or by third parties through contracts, partnerships or other arrangements.

#### **14. Consultancy Services**

The PSIAS defines consulting services as follows:

*“Advisory and client related service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.”*

Consultancy and advice services, including work on fraud related matters may be undertaken from time to time at the request of senior management. A provision is included in the annual audit plan for this type of work.

When undertaking such work auditors will not take on management responsibility for the project. Ultimate responsibility for the decisions taken within the area under review remains with senior management. Acceptance of any assignment will be dependent on available resources, the nature of the assignment and any potential impact on future assurances. The objectivity of individual audit staff will be managed in assigning any subsequent assurance work. Auditors involved in consultancy work will not audit that area for a minimum of one year after the completion of the consultancy work.

Significant consultancy assignments will be reported separately to the audit committee. Any significant consulting exercise, not included in the annual audit plan, should have the approval of the audit committee. Significant is defined as any single assignment equivalent to 5% of annual planned days.

#### **15. Non Audit Work – Counter Fraud**

Internal audit does not have responsibility for the prevention or detection of fraud and corruption. Managing the risk of fraud and corruption is the responsibility of management. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption.

The Corporate Fraud Team who sit within the remit of the Chief Internal Auditor will assist management in the effective discharge of this responsibility and will also undertake proactive work to identify potentially fraudulent activity.

Any evidence or reasonable suspicion of irregularities should be dealt with in accordance to the Council's Special Investigations Procedure and Anti-Fraud and Anti-Bribery Strategy. It is the responsibility of each member of the Corporate Leadership Team to promote awareness of and adherence to these procedures.

In accordance with the Council's Special Investigations Procedure and Anti-Fraud and Anti-Bribery Strategy the Chief Internal Auditor will be notified of all suspected or detected fraud, corruption or impropriety, to inform the annual audit opinion and the risk-based plan.

The Corporate Fraud Team activity will be reported to the Audit and Governance Panel twice yearly separately from the Internal Audit progress against plan.

## **16. Other Parties Out with the Council**

The Chief Internal Auditor is responsible for presenting an annual statement on the adequacy and effectiveness of the internal control system of the Ayrshire Valuation Joint Board (AVJB). The Chief Internal Auditor has also been appointed as the Chief Internal Auditor of the South Ayrshire Integration Joint Board (IJB).

The spirit of this Internal Audit Charter will also apply to the IJB and AVJB.

## **17. Quality Assurance and Improvement Programme (QAIP)**

The Chief Internal Auditor will develop and maintain a Quality Assurance and Improvement Programme that covers all aspects of the internal audit activity. This includes both internal and external assessments.

All audit work is subject to in-house quality control procedures whereby each audit review is subject to peer review. The audit service will undertake an annual self-assessment using the PSIAS checklist.

An external assessment will be conducted at least once every five years by a suitably qualified, independent assessor and may be a full assessment or validation of a self-assessment in line with the PSIAS (Standard 1300). The results of these assessments will be communicated to the Audit and Governance Panel with exception reporting of outstanding action points thereafter.

The feedback of the Chief Executive and the Chair of the Audit and Governance Panel will be sought during the performance appraisal of the Chief Internal Auditor.

## **18. Approval**

This Charter was submitted for approval to the Audit and Governance Panel, in its role as the Council's audit committee, on 20 March 2024. It will be subject to annual review and update as required. All amendments will be subject to approval by the Audit and Governance Panel.

**South Ayrshire Council  
Equality Impact Assessment  
Scoping Template**

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: <https://www.south-ayrshire.gov.uk/equalities/impact-assessment.aspx>

Further guidance is available here: <https://www.equalityhumanrights.com/en/publication-download/assessing-impact-and-public-sector-equality-duty-guide-public-authorities/>

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. [FSD Guidance for Public Bodies](#) in respect of the Duty, was published by the Scottish Government in March 2018 and revised in October 2021. See information here: <https://www.gov.scot/publications/fairer-scotland-duty-guidance-public-bodies/>

### 1. Policy details

|                                       |   |
|---------------------------------------|---|
| Policy Title                          | <b>Proposed Internal Audit Plan 2024/25</b>   |
| Lead Officer<br>(Name/Position/Email) | Cecilia McGhee, Chief Internal Auditor - <a href="mailto:Cecilia.McGhee2@south-ayrshire.gov.uk">Cecilia.McGhee2@south-ayrshire.gov.uk</a> |

**2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts**

| Community or Groups of People   | Negative Impacts | Positive impacts |
|---|------------------|------------------|
| Age – men and women, girls & boys   | No               | No               |
| Disability  | No               | No               |
| Gender Reassignment (Trans/Transgender Identity)  | No               | No               |
| Marriage or Civil Partnership   | No               | No               |
| Pregnancy and Maternity   | No               | No               |
| Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers                    | No               | No               |
| Religion or Belief (including lack of belief)   | No               | No               |
| Sex – (issues specific to women & men or girls & boys)  | No               | No               |
| Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight | No               | No               |
| Thematic Groups: Health, Human Rights & Children's Rights   | No               | No               |

**3. What likely impact will this policy have on people experiencing different kinds of social disadvantage i.e. The Fairer Scotland Duty (This section to be completed for any Strategic Decisions). Consideration must be given particularly to children and families.**

| Socio-Economic Disadvantage  | Negative Impacts | Positive impacts |
|--|------------------|------------------|
| Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing   | Low              | Low              |
| Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future                    | Low              | Low              |
| Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies | Low              | Low              |
| Area Deprivation – where you live (rural areas), where you work (accessibility of transport)   | Low              | Low              |
| Socio-economic Background – social class i.e. parent's education, employment and income  | Low              | Low              |

**4. Do you have evidence or reason to believe that the policy will support the Council to:**

| General Duty and other Equality Themes<br>Consider the 'Three Key Needs' of the Equality Duty  | Level of Negative and/or Positive Impact<br>(High, Medium or Low) |
|--|---|
| <b>Eliminate unlawful discrimination, harassment and victimisation</b>   | No  |
| <b>Advance equality of opportunity</b> between people who share a protected characteristic and those who do not  | No  |
| <b>Foster good relations</b> between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?) | No  |
| Increase participation of particular communities or groups in public life  | No  |
| Improve the health and wellbeing of particular communities or groups   | No  |
| Promote the human rights of particular communities or groups   | No  |
| Tackle deprivation faced by particular communities or groups   | No  |

**5. Summary Assessment**

|   |   |
|---|---|
| <p><b>Is a full Equality Impact Assessment required?</b><br/>(A full Equality Impact Assessment must be carried out if impacts identified as <b>Medium and/or High</b>)</p> | <p>YES <input type="checkbox"/></p> <p>NO <input checked="" type="checkbox"/></p> |
|---|---|

**Rationale for decision:**

This report seeks approval of Members for the internal audit plan for 2024/25. Their decision on this has no specific equality implications.

**Signed :** Cecilia McGhee, Chief Internal Auditor

**Date:** 14 February 2024