

South Ayrshire Council

**Report by Chief Internal Auditor
to Audit and Governance Panel
of 6 September 2023**

Subject: Internal Audit Annual Update Report – Integration Joint Board (IJB) Performance and Audit Committee (PAC)

1. Purpose

- 1.1 The purpose of this report is to provide an annual report for information to the Panel on internal audit work carried out for the Integration Joint Board (IJB) by the South Ayrshire Council and NHS Ayrshire and Arran (NHSAAA) internal auditors.

2. Recommendation

- 2.1 **It is recommended that the Panel notes the content of this report.**

3. Background

- 3.1 Section 5.5 of the [IJB Financial Regulations](#) outlines that the IJB Chief Internal Auditor will submit an annual audit report of the Internal Audit function to the Chief Officer and the Performance and Audit Committee (PAC) indicating the extent of audit cover achieved and providing a summary of audit activity during the year. As a minimum the annual audit report and Chief Internal Auditor's opinion will also be reported to the audit committee of the NHS Board and the Audit and Governance Panel of the Council.

- 3.2 The IJB annual report and audit opinion for 2022/23 was provided to the PAC on 26 June 2023 and will be shared with the NHSAAA Audit Committee in November 2023.

4. Proposals

4.1 *Internal Audit Outputs for the IJB during 2022/23*

- 4.1.1 During the past year, the following reports have been considered by the Members of the PAC:

- IJB Internal Audit Annual Report including the Internal Audit Annual Opinion 2022/23 (included in [Appendix 1](#) and [Annex A](#)).
- Internal Audit reports on Follow Up - IJB Risk Management arrangements and Performance Monitoring. These reports were provided to South Ayrshire Council Members for information on 28 June 2023 and the 14 July 2023 respectively.

- IJB Internal Audit Plan 2023/24.

4.1.2 The NHSAAA internal audit report on Delayed Discharges Performance Indicators was issued to SAIJB Management on 7 June 2023 and shared with the PAC on 1 August 2023.

4.2 ***Internal Audit Annual Opinions***

4.2.1 When preparing the statement of assurance the Chief Internal Auditor considers the work of the internal auditors of NHSAAA (Grant Thornton LLP) and the statement of assurance provided for South Ayrshire Council.

4.2.2 The Internal Audit Report for NHSAAA, was provided to their Audit Committee on 10 May 2023. Their opinion concludes that; *'partial assurance with some improvement required can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.'*

4.2.3 The Internal Audit opinion for South Ayrshire Council, prepared by the Chief Internal Auditor, was provided to this Panel on 28 June 2023. In 2022/23, the Internal Audit Opinion is that overall, reasonable assurance can be placed on the adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements for the year ending 31 March 2023.

4.3 ***IJB External Auditor's Report 2022/23***

4.3.1 The draft IJB External Audit report (prepared by Audit Scotland) is due to be presented to the PAC on 3 October 2023 and will be presented to the IJB for approval on 11 October 2023.

4.3.2 A verbal update on the External Audit report will be provided to the next Audit and Governance Panel on 4 October 2023.

4.4 ***Internal Audit Plan for 2023/24***

4.4.1 The South Ayrshire IJB internal audit plan for 2023/24 was approved by the PAC on 26 June 2023. Two audit assignments are included within the audit plan; (i) Workforce Planning - To review the controls around workforce planning arrangements, and (ii) Performance Monitoring Follow Up Review – To review implementation of audit recommendations arising from the 2022/23 Performance Monitoring audit assignment. Where any changes are proposed to the IJB internal audit plan, these will be presented for approval to the PAC.

4.4.2 Meetings are held periodically throughout the year between the Chief Internal Auditors of the three Ayrshire IJBs, as well as the internal auditors for NHS Ayrshire and Arran to consider Pan Ayrshire issues.

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 Rejecting the recommendation could result in failure to comply with IJB Financial Regulations.

9. Equalities

9.1 The proposals in this report allow scrutiny of performance. The report does not involve proposals for policies, strategies, procedures, processes, financial decisions and activities (including service delivery), both new and at review, that affect the Council's communities and employees, therefore an equality impact assessment is not required.

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.

13. Results of Consultation

13.1 There has been no public consultation on the contents of this paper.

13.2 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**

[IJB Annual Report 2022-2023](#)

[IJB Internal Audit Plan 2023 - 2024](#)

[Public Sector Internal Audit Standards 2017](#)

[IJB Financial Regulations](#)

Person to Contact

Cecilia McGhee, Chief Internal Auditor
County Buildings, Wellington Square, Ayr, KA7 1DR
Phone 01292 612432
E-mail Cecilia.McGhee2@south-ayrshire.gov.uk

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South Ayrshire Integration Joint Board
Internal Audit Annual Report 2022/23

1. Introduction

- 1.1. The Integrated Resources Advisory Group (IRAG) 2015 guidance outlines the responsibility of the Integration Joint Board (IJB) to establish proportionate internal audit arrangements for the review of the adequacy of arrangements for governance, risk management and control of resources delegated to the IJB. The IJB appointed South Ayrshire Council's Chief Internal Auditor as the Chief Internal Auditor of the IJB.
- 1.2. The purpose of this report is to provide an overview of the Internal Audit activity for 2022/23 and to provide an independent opinion on the adequacy and effectiveness of the IJB's governance, risk management and internal control systems for the year ended 31 March 2023.

2. Internal Control Framework

- 2.1. In order to ensure the proper conduct of its business, the IJB has a responsibility to develop and implement systems of internal control. The presence of an effective internal audit function contributes towards, but is not a substitute for, effective control. It is the responsibility of management to have adequate controls in place and to ensure these controls are operating effectively. A sound control system will help safeguard assets, ensure records are reliable, promote operational efficiency and ensure adherence to policies and procedures. Such systems of internal control can provide only reasonable and not absolute assurance against loss.
- 2.2. The operational delivery of services within NHS Ayrshire and Arran Heath Board (NHSAAA) and South Ayrshire Council on behalf of the IJB is covered by their respective internal audit arrangements.

3. Compliance with the Public Sector Internal Audit Standards (PSIAS)

- 3.1. Internal Audit operates in accordance with the PSIAS requirements and 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.
- 3.2. PSIAS requires that a Quality Assurance and Improvement Programme (QAIP) is developed and maintained to provide assurance that internal activity is conducted in accordance with an Internal Audit Charter, that it operates in an efficient and effective manner and that it is perceived to be adding value and improving operations.
- 3.3. Internal Audit operates within the Internal Audit Charter, most recently approved by South Ayrshire Council's Audit and Governance Panel on 22 March 2023.
- 3.4. The Quality Assurance and Improvement Programme (QAIP) covers all aspects of Audit Services, including periodic internal self-assessments and five-yearly External Quality Assessments (EQA). Since the PSIAS came into effect in April 2013, annual self-assessments have been performed by the Chief Internal Auditor, and one EQA (2018), has been completed and reported to the Council's Audit and Governance

Panel. The service was externally assessed as 'generally conforms' with PSIAS in 2018 and an action plan prepared. The actions were fully implemented and self-assessments since then confirm the service 'fully conforms'. A second EQA is currently ongoing and the results of this assessment will be included in the next IJB annual report together with the results of the most recent self-assessment.

4. Position and Resourcing of Internal Audit

- 4.1. The IJB Chief Internal Auditor has a direct responsibility to report to the IJB Chief Officer and the Performance and Audit Committee. Internal Audit activity is planned to provide assurance to the board and to enable an independent annual opinion to be given by the Chief Internal Auditor on the adequacy and effectiveness of internal controls operating within the IJB. South Ayrshire Council's approved audit plan for 2022/23 allowed for 25 audit days to undertake IJB internal audit services. The 2022/23 Internal Audit Plan for the IJB was approved by the Performance and Audit Committee on 30 June 2022.
- 4.2. The Internal Audit service of NHSAAA was provided by Grant Thornton LLP in 2022/23. Grant Thornton's internal audit methodology is aligned to PSIAS. The NHSAAA internal audit plan for 2022/23 was agreed with management and approved by the NHSAAA Audit Committee. The NHSAAA audit plan for 2022/23 included an allocation of 30 days pan Ayrshire for IJB Internal Audit services.
- 4.3. Meetings are held periodically with the Chief Auditors of the other IJBs in Ayrshire (East and North) as well as the NHSAAA internal auditors.

5. Achievement of Annual Internal Audit Plan 2022/23

- 5.1. Internal audit activity during the year was undertaken in accordance with the approved annual internal audit plan. The plan included a follow up review of the IJBs Risk Management Arrangements and a review of Performance Monitoring Arrangements.
- 5.2. The objective of the follow up review was to obtain assurances that all actions from the 2021/22 IJB Risk Management audit review had been implemented. This review has been completed and concluded that all actions had been sufficiently implemented. A copy of this report has been shared with IJB Members.
- 5.3. The objective of the Performance Monitoring audit review was to obtain assurance that there are strong controls in place around performance monitoring arrangements, with particular focus on measures which assess the improvements from integration and redesign of services. Testing has concluded and the draft report is currently being agreed with management. The internal control assessment can therefore be included in the overall annual audit opinion. Findings conclude that a reasonable assurance opinion can be given on the system of control.
- 5.4. A copy of the full Internal Audit Report will be provided to IJB Members once finalised.

6. Audit Opinion

- 6.1. There is a formal requirement for the Chief Internal Auditor to prepare an assurance statement on the adequacy of internal control systems within the Council. The statement is included in [Annex A](#).

7. Conclusion

- 7.1. Sufficient internal audit work was completed during the year to form an internal audit opinion for 2022/23. There is no limitation of scope on the 2022/23 internal audit opinion.

Opinion on the overall adequacy and effectiveness of South Ayrshire Integration Joint Board's framework of governance, risk management and control

To the Members of South Ayrshire Integration Joint Board

As Chief Internal Auditor for South Ayrshire Integration Joint Board, I am pleased to present my annual statement on the overall adequacy and effectiveness of the framework of governance, risk management and control of the IJB for the year ended 31 March 2023.

Respective responsibilities of management and internal auditors in relation to governance, risk management and control

It is the responsibility of the IJB to determine, establish and maintain appropriate and sound systems of governance, risk management and control and to monitor the continuing effectiveness of these systems. It is the responsibility of the Chief Internal Auditor to provide an annual internal audit opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control.

Sound internal controls

The IJB uses the systems of the Council and NHSAAA to manage its financial records. The main objectives of the IJB's framework of internal control systems are:

- to ensure adherence to management policies and directives in order to achieve the organisation's objectives;
- to safeguard assets;
- to ensure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- to 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 partners of the IJB are continually seeking to improve the effectiveness of its governance arrangements and systems of risk management and internal control.

The work of internal audit

Internal audit is an independent, objective assurance and consulting function designed to review the internal control systems, add value and improve an organisation's operations. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of the organisation's resources.

The operational delivery of services within the NHS Ayrshire and Arran Health Board (NHSAAA) and South Ayrshire Council on behalf of the IJB will be covered by their respective internal audit arrangements.

South Ayrshire Council's Internal Audit section operates in accordance with Public Sector Internal Audit Standards (PSIAS) which came into effect from 1 April 2013 (updated March 2017). The section undertakes an annual programme of work approved by South Ayrshire Council's Audit and Governance Panel, acting in its role as the Council's audit committee.

The Internal Audit service of NHSAAA was provided by Grant Thornton LLP in the year to 31 March 2023. Grant Thornton's internal audit methodology is aligned to PSIAS.

The Council's internal audit section provides an annual report and assurance statement for 2022/23 to the Audit and Governance Panel. The audit opinion concluded reasonable assurance over the framework of governance, risk management and control and that adequate controls were in place and were operating throughout the Council in 2022/23.

The NHSAAA internal audit plan for 2022/23 was approved by the NHSAAA Audit Committee on 17 March 2022. The most up to date position for the NHSAAA internal audit plan (May 2023) is that the audit plan would be delivered in order to give an annual audit opinion to the NHS Audit Committee by the agreed date.

All internal audit reports identifying system weaknesses and/or non-compliance with expected controls 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.

Summary of Internal Audit Activity 2022/23

Two reviews were completed for the IJB in 2022/23 - a review of Performance Monitoring Arrangements and a follow up review of Risk Management Arrangements. The Performance Monitoring review concluded that reasonable assurance can be provided over the system of controls in place. The follow up review confirmed all improvement actions had been sufficiently implemented

Basis of Opinion

My evaluation is informed by a number of sources:

- the audit work undertaken by South Ayrshire Council's Internal Audit and Corporate Fraud team in previous years, during the year to 31 March 2023 and in the period after the year-end to date;
- The NHSAAA Health Board's assurance taken from audit work undertaken to date by the appointed internal auditors, Grant Thornton LLP;
- Work undertaken by the partners' external auditors; and
- Chief Internal Auditor's knowledge of the Board's activities for the year 2022/23.

Opinion

On the above basis it is my opinion, that overall, reasonable assurance can be placed on the adequacy and effectiveness of the IJB's framework of governance, risk management and control arrangements for the year ending 31 March 2023.

Cecilia McGhee, Chief Internal Auditor
South Ayrshire Integration Joint Board
16 June 2023