

South Ayrshire Council

**Report by Chief Internal Auditor
to Audit and Governance Panel
of 4 September 2024**

**Subject: Internal Audit Annual Update Report – South Ayrshire
Integration Joint Board (IJB)**

1. Purpose

- 1.1 The purpose of this report is to provide an annual report for information to the Audit and Governance Panel on internal audit work carried out for the Integration Joint Board (IJB) by the South Ayrshire Council for the year ended 31 March 2024.

2. Recommendation

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

3. Background

- 3.1 The South Ayrshire [IJB Financial Regulations](#) outline the responsibilities of Internal Audit and include the requirement for the IJB Chief Internal Auditor to 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 committees of NHS Ayrshire and Arran (NHSAAA) and the South Ayrshire Council.
- 3.2 The Financial regulations also note that the Chief Internal Auditor requires to prepare and submit an annual risk based internal audit plan to the Performance and Audit Committee (PAC) for approval and recommends that this plan is shared with the relevant Committees of both NHSAAA and South Ayrshire Council.
- 3.3 The relevant committees of NHSAAA and South Ayrshire Council are the Audit and Risk Committee (ARC) and the Audit and Governance Panel (AGP) respectively.
- 3.4 The IJB Annual Report and Audit Opinion for 2023/24 and the proposed IJB Annual Internal Audit Plan for 2024/25 were submitted to the PAC on 28 May 2024. The proposed annual plan was approved at that meeting. Both reports will be shared with the NHSAAA Audit and Risk Committee on 18 November 2024.

4. Proposals

- 4.1 In line with the IJB Financial regulations, the IJB Internal Audit Annual Report and Annual Audit Plan are included within this report. It is proposed that Panel notes the Internal Audit outputs for the IJB for the year ended 31 March 2024.

4.2 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 2023/24 (included in [Appendix 1](#) and [Annex A](#)).
- Internal Audit reports on Workforce Planning and the follow up of Performance Monitoring. These reports were shared with South Ayrshire Council Members for information on 6 March 2024 and 5 July 2024 respectively.
- IJB Internal Audit Plan 2024/25 (included in [Appendix 2](#)).

Internal Audit Annual Opinions 2023/24

- 4.2.1 When preparing the statement of assurance the Chief Internal Auditor considers the work of the internal auditors of NHSAAA (Azets) 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 20 June 2024. Their opinion concludes that “NHSAAA has a framework of governance and internal control that provides reasonable assurance regarding the effective and efficient achievement of objectives.”
- 4.2.3 The Internal Audit opinion for South Ayrshire Council, prepared by the Chief Internal Auditor, was provided to this Panel on 26 June 2024. In 2023/24, the Internal Audit Opinion for the Council 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 2024.
- 4.2.4 The Internal Audit Annual Opinion for South Ayrshire’s IJB included in Annex 1 is 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 2024.

Internal Audit Plan for 2024/25

- 4.2.5 The South Ayrshire IJB internal audit plan for 2024/25 was approved by the PAC on 28 May 2024. One audit assignment is included within the audit plan; Business Continuity and Resilience. Where any changes are proposed to the IJB internal audit plan, these will be presented for approval to the PAC.
- 4.2.6 Meetings are held periodically throughout the year between the Chief Internal Auditors of the three Ayrshire IJBs, as well as the internal auditors for NHSAAA 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.

IJB Internal Audit Plan 2024 - 2025

Public Sector Internal Audit Standards 2017

IJB Financial Regulations

Person to Contact

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South Ayrshire Integration Joint Board
Internal Audit Annual Report 2023/24

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 2023/24 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 2024.

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 Health 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 20 March 2024.
- 3.4. The Quality Assurance and Improvement Programme (QAIP) covers all aspects of Audit Services and includes both 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. The latest EQA has been completed and was reported to the Council's Audit and

Governance Panel on 29 May 2024. The results of the EQA were broadly in line with the 2023/24 self assessment. The overall conclusion was that Internal Audit fully conforms with 10 areas and generally conforms with 4 areas. There were no areas assessed as partially or not conforming. An action plan containing improvement actions in relation low priority areas was prepared and is currently being progressed by Internal Audit. The progress of the implementation of the EQA action plan will be included in the quarterly Internal Audit Progress Reports to the Council's Audit and Governance Panel.

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 2023/24 allowed for 25 audit days to undertake IJB internal audit services. The 2023/24 Internal Audit Plan for the IJB was approved by the Performance and Audit Committee on 26 June 2023.
- 4.2. The Internal Audit service of NHSAAA was provided by Azets in 2023/24. Azets' internal audit methodology is aligned to PSIAS. The NHSAAA internal audit plan for 2023/24 was agreed with management and approved by the NHSAAA Audit Committee. The NHSAAA audit plan for 2023/24 included an allocation of 25 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 2023/24

- 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 Performance Monitoring and a review of Workforce Planning.
- 5.2. The objective of the follow up review was to obtain assurances that all actions from the 2022/23 IJB Performance Monitoring audit review had been implemented. Testing has concluded for this assignment and the draft report is currently being agreed with management, no significant issues were identified during audit testing. The internal control assessment can therefore be included in the overall annual audit opinion. A copy of the final report will be shared with IJB Members once agreed with management.
- 5.3. The objective of the Workforce Planning audit review was to obtain assurance that Health and Social Care Partnership workforce planning complies with Scottish Government and SAC guidance and is aligned to HSCP IJB 2021-31 Strategic Plan. The audit also sought to obtain assurance that implementation of the action plan within the HSCP Workforce Plan 2022-2025 is adequately monitored and reported.
- 5.4. The audit concluded that a sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited (substantial assurance).

5.5. Two low risk actions were raised which, when implemented, will further strengthen the controls in this area. The actions relate to assigning SMART criteria to actions and to ensuring Ideagen (formerly Pentana) is regularly updated to reflect the current status of actions.

5.6. A copy of the full Internal Audit Report has been shared with all IJB Members.

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 2023/24. There is no limitation of scope on the 2023/24 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 2024.

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 Azets into year to 31 March 2024. Azets' internal audit methodology is aligned to PSIAS.

South Ayrshire Council's internal audit section provides an annual report and assurance statement for 2023/24 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 2023/24.

The NHSAAA internal audit plan for 2023/24 was approved by the NHSAAA Audit Committee on 15 March 2023. The most up to date position for the NHSAAA internal audit plan (March 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 2023/24

Two reviews were completed for the IJB in 2023/24. A review of Workforce Planning and a follow up review of Performance Monitoring. The Workforce Planning review conclude that substantial assurance can be provided over the system of controls in place. Testing has concluded for the follow up review and the draft report is currently being agreed with management, no significant issues were identified during our testing.

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 2024 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, Azets;
- Work undertaken by the partners' external auditors; and
- Chief Internal Auditor's knowledge of the Board's activities for the year 2023/24.

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 2024.

Cecilia McGhee, Chief Internal Auditor
South Ayrshire Integration Joint Board
14 May 2024

**South Ayrshire IJB Internal Audit Plan
2024/25**

Job Ref	Internal Audit Assignment	Internal Audit Resource	Indicative days	Link to HSCP Risk Register
A	Business Continuity and Resilience	South Ayrshire Council	20	Risk 6 – Good Governance, Strategic Planning and Business Resilience
B	Support to the Integration Joint Board and Performance and Audit Committee	South Ayrshire Council	5	N/A
		Total audit days	25	