

South Ayrshire Council

**Report by Chief Internal Auditor
to Audit and Governance Panel
of 24 September 2020**

**Subject: 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 internal auditors.

2. Recommendation

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

3. Background

- 3.1 Section 5.5 of the [IJB Financial Regulations](#) outlines that the annual IJB Internal Audit Report and Chief Internal Auditor's opinion for the IJB will be reported to the Audit Committee of NHS Ayrshire and Arran (NHSAAA) and the Audit and Governance Panel of South Ayrshire Council.
- 3.2 The Performance and Audit Committee (PAC) is identified as a Committee of the IJB. The Committee reviews the overall internal control arrangements of the IJB and makes recommendations to the Board regarding the signing of the Governance Statement.
- 3.3 The IJB annual report and audit opinion for 2019/20 was provided to the PAC of 8 September 2020.
- 3.4 The audit opinion and annual report will also be shared with the NHSAAA Audit Committee of 23 September 2020.

4. Proposals

4.1 *Internal Audit Outputs for the IJB during 2019/20*

- 4.1.1 During the past year, the following reports have been considered by the PAC:
- IJB Internal Annual Report including the Internal Audit Annual Opinion 2019/20 (included in [Appendix 1](#) and [Annex A](#) for ease of reference).

- Internal Audit report on IJB governance arrangements. The report was provided to South Ayrshire Council Members for information on 27 July 2020.
- IJB Internal Audit Plan 2020/21.

4.1.2 The PAC has also received the internal audit report from the NHSAAA internal auditors regarding their review of IJB directions.

4.2 **Internal audit annual opinions**

4.2.1 When preparing the statement of assurance the Chief Internal Auditor takes into account 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, prepared by Grant Thornton, was provided to their Audit Committee in June 2020. Their opinion concludes that:

“Our overall opinion for the period 1 April 2019 to 31 March 2020 is that based on the scope of reviews undertaken and the sample tests completed during the period, that reasonable assurance 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 24 June 2020. The opinion concludes that:

“Internal Audit can provide 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 2019/20.”

4.3 **IJB External Auditor’s Report 2019/20**

4.3.1 The final IJB External Audit report (prepared by Deloitte LLP) will be presented to the PAC on 8 September 2020 and states *“During the year, we have completed an assessment of the independence and competence of the internal audit team and reviewed their work and findings. The conclusions have helped inform our audit work, although no specific reliance has been placed on the work of internal audit”*.

4.4 **Internal Audit Plan for 2020/21**

4.4.1 The internal audit plan for 2020/21 was approved by the PAC on 8 September 2020. The assignment included within the IJB audit plan is in relation to IJB decisions and directions. Following the Ministerial Strategic Group’s (MSG) review in February 2019, improvements were proposed to the quality of directions issued by IJBs. Work has been carried out with the Scottish Government to enhance directions for health and social care integration. The purpose of this audit will be to review the SAIJB directions for compliance with the revised statutory guidance issued by Scottish Government in January 2020. Where any changes

are proposed to the IJB internal audit plan, these will be presented for approval to their PAC.

- 4.4.2 Pan-Ayrshire meetings are scheduled around every six months between the Chief Internal Auditors of the three Ayrshire IJBs, as well as the internal auditors for NHSAAA.

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 Audit reports include, in the action plans, a separate risk assessment detailing the risk of not implementing each of the Internal Audit recommendation.

9. Equalities

- 9.1 The proposals in this report have been assessed through the Equalities Impact Assessment Scoping process, and there are no significant positive or negative equality impacts of agreeing the recommendations, therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached at [Appendix 2](#).

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 proposals contained in this report link to the Council Plan objectives: ‘ We will ensure public services work together to deliver for our people and places, minimising duplication, maximising impact and support each other to deliver on priorities’ and linked to that, achieving objectives through ‘Systematic review – Designing systems to eliminate duplication; streamline processes; harness technology; improve online service access; and maximise the potential of our assets and workforce’.

13. Results of Consultation

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

Background Papers Report to IJB Performance and Audit Committee of 29 August 2017 - [Audit Landscape in South Ayrshire](#)

[Public Sector Internal Audit Standards 2017](#)

[IJB Financial Regulations](#)

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Date: 25 August 2020

South Ayrshire Integration Joint Board
Internal Audit Annual Report 2019/20

1. Introduction

- 1.1. The Integrated Resources Advisory Group (IRAG) 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 Chief Internal Auditor is required to provide an annual assurance statement on the overall adequacy and effectiveness of the framework for governance, risk management and control.

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 Council policy and procedure. 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 the Council on behalf of the IJB will be covered by their respective internal audit arrangements.

3. Reporting requirements of 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. Internal Audit operates within the Internal Audit Charter, most recently approved by the Council's Audit and Governance Panel on 20 March 2019.
- 3.3. The PSIAS places a number of reporting obligations on the Chief Internal Auditor in respect of the annual report. These obligations are summarised below:

PSIAS Ref	Requirement	Evidence
1110	The chief audit executive must confirm to the board, at least annually, the organisational independence of the internal audit activity.	The Chief Internal Auditor reports directly to the Performance and Audit Committee, and unfettered access is available to the IJB Chief Officer as required.

PSIAS Ref	Requirement	Evidence
1320	The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.	A summary of the annual self-assessment, most recently carried out in summer 2019, is included in this annual report. The next external review is scheduled for 2022.
2450	The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.	This report to the Performance and Audit Committee provides the annual statement of assurance on internal controls.
2450	The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.	This report to the Performance and Audit Committee provides the annual statement of assurance on internal controls.
2450	The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.	This report to the Performance and Audit Committee provides a statement on the conformance with the PSIAS.

4. Compliance with PSIAS

- 4.1. The Chief Internal Auditor is required to confirm internal audit's compliance with the Public Sector Internal Audit Standards. The last independent external review was carried out in 2018, with an annual self-assessment carried out by the Chief Internal Auditor in summer 2019. The external review in 2018 and the self-assessment in 2019 both concluded conformance with the PSIAS. The 23 actions points from the 2018 independent review were all implemented, and a further five areas for improvement identified in the 2019 self-assessment are either complete or in progress. The annual self-assessment for 2020/21 is currently being carried out.

5. Position and Resourcing of Internal Audit

- 5.1. The IJB Chief Internal Auditor has a direct responsibility to report to the IJB Chief Officer and the Performance and Audit Committee. South Ayrshire Council's approved audit plan for 2019/20 allows for 25 audit days to undertake IJB internal audit services. The audit plan for the IJB for 2019/20 was approved by the Performance and Audit Committee on 7 June 2019. 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.

- 5.2. The Internal Audit service of NHSAAA is provided by Grant Thornton LLP. Grant Thornton's internal audit methodology is aligned to PSIAS. The NHSAAA internal audit plan for 2019/20 was agreed with management and approved by the NHSAAA Audit Committee. The NHSAAA approved audit plan has an allocation of 30 days pan Ayrshire for IJB Internal Audit services.
- 5.3. Meetings are held periodically with the Chief Auditors of the other IJBs in Ayrshire (East and North) as well as the NHSAAA internal auditors.

6. Achievement of Annual Internal Audit Plan 2019/20

- 6.1. Internal audit activity during the year was undertaken in accordance with the internal audit plan. The audit assignment for 2019/20 was to review governance arrangements, including a review of actions against the Ministerial Strategic Group's action plan as well as the Internal Audit action plan from the previous governance review in 2015/16.
- 6.2. The conclusion from the review is that a reasonable assurance opinion can be given on the system of control. The level of risk that expected governance arrangements are not in place is medium. The medium risk refers to the fact that not all recommendations from the Ministerial Strategic Group (MSG) have as yet been fully implemented.

7. Audit Opinion

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

8. Conclusion

- 8.1. The 2019/20 internal audit plan was satisfactorily completed during the year.

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 2020.

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 is provided by Grant Thornton LLP. Grant Thornton's internal audit methodology is aligned to PSIAS.

The Council's internal audit section has provided an annual report and assurance statement for 2019/20 to the Audit and Governance Panel. The audit opinion concluded that 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 2019/20.

The NHSAAA internal audit plan for 2019/20 was approved by the NHSAAA Audit Committee in March 2019. The plan is significantly complete. The annual report and opinion will be presented to the June 2020 NHS Audit Committee.

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.

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 2020 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 2019/20.

The timing of the COVID-19 pandemic does not have an adverse effect on the internal audit opinion for 2019/20 as the audit assignment planned for the year was completed. As noted above, the period after the year-end date is also used to inform the evaluation of the governance, risk management and control environment. The COVID-19 pandemic has tested the IJB's risk management framework. It will be important for the IJB, at an appropriate time, to carry out a post-incident review and highlight any lessons learned from this unprecedented incident.

Opinion

Based on the above, reasonable assurance can be provided over the framework of governance, risk management and control and that adequate controls were in place, and were operating throughout the IJB in 2019/20.

Laura Miller
Chief Internal Auditor
South Ayrshire Integration Joint Board
7 August 2020

1. Policy details

Policy Title Annual Update Report – Integration Joint Board (IJB) Performance and Audit Committee (PAC)	Lead Officer Laura Miller
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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, Groups of People or Themes	Negative Impacts	Positive impacts
The whole community of South Ayrshire	-	-
People from different racial groups, ethnic or national origin.	-	-
Women and/or men (boys and girls)	-	-
People with disabilities	-	-
People from particular age groups for example Older people, children and young people	-	-
Lesbian, gay, bisexual and heterosexual people	-	-
People who are proposing to undergo, are undergoing or have undergone a process to change sex	-	-
Pregnant women and new mothers	-	-
People who are married or in a civil partnership	-	-
People who share a particular religion or belief	-	-
Thematic Groups: Health, Human Rights, Rurality and Deprivation.	-	-

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

General Duty and other Equality Themes	Level of Negative and/or Positive Impact (high, medium or low)
Eliminate discrimination and harassment faced by particular communities or groups	Low impact
Promote equality of opportunity between particular communities or groups	Low impact
Foster good relations between particular communities or groups	Low impact
Promote positive attitudes towards different communities or groups	Low impact
Increase participation of particular communities or groups in public life	Low impact
Improve the health and wellbeing of particular communities or groups	Low impact
Promote the human rights of particular communities or groups	Low impact
Tackle deprivation faced by particular communities or groups	Low impact

4. Summary Assessment

<p>Is a full Equalities Impact Assessment (EQIA) required? (A full EQIA must be carried out on all high and medium impact policies)</p>	<p>YES <input type="checkbox"/> NO <input checked="" type="checkbox"/></p>
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Rationale for decision:

In the interests of information sharing, and in line with the IJB Financial Regulations, this report provides an update to Members on internal audit activity in respect of the South Ayrshire IJB. There are no equality implications arising from the content of this report.

Signed Laura Miller (Chief Internal Auditor)

Date: 25 August 2020

Copy to equalities@south-ayrshire.gov.uk