

South Ayrshire Council

**Report by Chief Internal Auditor
to Audit and Governance Panel
of 7 November 2018**

**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 to Members on internal audit work carried out for the Integration Joint Board (IJB) by the Council and NHS internal audit teams.

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 annual IJB Audit Report and Chief Internal Auditor's opinion for the IJB will also 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 audit opinion for 2017/18 was provided to the PAC of 18 June 2018, with the annual report provided to the PAC of 26 September 2018.
- 3.4 The audit opinion and annual report will also be shared with the NHSAAA Audit Committee of 21 November 2018.

4. Proposals

4.1 *Internal Audit Outputs for the IJB during 2017/18*

- 4.1.1 During the past year, the following reports have been considered by the PAC:
- IJB Internal Audit Annual Opinion 2017/18 (included in [Appendix 1](#) for ease of reference);

- IJB Internal Audit Annual Report 2017/18 (included in [Appendix 2](#) for ease of reference);
- Internal Audit Report on IJB and SAHSCP Complaints. A summary of this report is included within the Internal Audit progress report for this meeting; and
- IJB Internal Audit Plan 2018/19.

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 (PricewaterhouseCoopers (PwC) for 2017/18) and the statement of assurance provided for South Ayrshire Council.

4.2.2 The Internal Audit Report for NHSAAA, prepared by PwC, was provided to their Audit Committee of 15 June 2018. This is not a public document, however the minutes of the Audit Committee of 15 June 2018 state:

'The audit opinion provided was 'generally satisfactory with some improvements required'. The Auditor noted that there had been careful consideration given to this classification in view of the significant financial and operational challenges being faced by the Board. However, the Auditor has taken the decision that the Board has appropriate controls and structures in place and that these were operating as intended albeit in a very challenging environment.'

4.2.3 The Internal Audit opinion for South Ayrshire Council, prepared by the Chief Internal Auditor, was provided to this Panel of 30 May 2018. 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 2017/18.'

4.3 **IJB External Auditor's Report 2017/18**

4.3.1 The IJB External Audit report was presented to the PAC on 26 September 2018 and states 'we have no concerns around the arrangements with internal audit'.

4.4 **Internal Audit Plan for 2018/19**

4.4.1 The internal audit plan for 2018/19 was approved by the PAC on 18 June 2018. The assignment included within the IJB audit plan is 'how well are we doing: the decisions we have made and how they have been delivered'. 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 the NHS (now Grant Thornton for 2018/19).

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 3](#).

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: 30 October 2018

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

To the Members of South Ayrshire Integration Joint Board

As Acting Chief Internal Auditor South Ayrshire Integration Joint Board (IJB), 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 2018.

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

It is the responsibility of the Board to establish 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 Acting 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 Board uses the systems of South Ayrshire Council and NHS Ayrshire and Arran Health Board to manage its financial records. The main objectives of the Board'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.
- to manage risk - identify, analyse and control risks that threaten the assets, service delivery and achievement of agreed IJB objectives

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 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'.

(United Kingdom Public Sector Internal Audit Standards 2017, section 4)

The operational delivery of services within the NHS Ayrshire and Arran health Board and South Ayrshire Council on behalf of the IJB will be covered by their respective internal audit arrangements as at present.

South Ayrshire Council's Internal Audit section operates in accordance with United Kingdom Public Sector Internal Audit Standards which came into force with effect from 1 April 2013 (and updated in 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.

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.

Internal Audit is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action. Significant matters (including non-compliance with audit recommendations) arising from internal audit work are reported to South Ayrshire Council's Chief Executive and to the Council's Audit and Governance Panel.

PSIAS requires that an internal audit service has a quality assurance and improvement programme in place. Part of the programme is that an external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

To meet this requirement, a reciprocal arrangement to complete a programme of inspections was developed by the Chief Internal Auditor's Group (SLACIAG) within Scotland. In 2017/18 the Council's Internal Audit service was reviewed by the Chief Internal Auditor of East Renfrewshire Council. The overall conclusion was that the Internal Audit Service generally conforms with the PSIAS.

The review nonetheless, highlights areas where improvements could be made, namely:

- develop a suite of key performance indicators to measure service delivery
- develop a formal assurance mapping process to support the overall Statement of Assurance at the financial year-end
- develop a robust planning methodology
- follow-up and reporting of progress on implementing audit recommendations; and
- amend the annual report to include key statements required by PSIAS.

The internal audit service of NHS Ayrshire and Arran is provided by PriceWaterhouseCoopers (PwC). Their internal audit methodology is aligned to PSIAS. The NHS Ayrshire and Arran internal audit plan for 2017/18 was agreed by management and approved by the NHS Ayrshire and Arran Audit Committee. The plan is significantly complete. All reports are presented at the Audit Committee in addition to any other relevant governance committees within NHS Ayrshire and Arran, as appropriate. Any control weaknesses identified are agreed with management, along with a responsible officer and target date for agreed actions where the risk rating is medium or above. Management's progress implementing these actions is formally reported to the Audit Committee.

Management have continued to react positively to audit reports and have, in the main, implemented audit recommendations in order to enhance internal controls and to minimize the risks associated with audit findings.

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 2018 and in the period after the year-end to date;
- The NHS Ayrshire and Arran Health Board assurance taken from audit work undertaken to date by the appointed internal auditors, PwC.
- Audit review of the complaints process of the IJB; and
- Work undertaken by the partners' external auditors;

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 2017/18.

Anne McGregor
Acting Chief Internal Auditor
South Ayrshire Integration Joint Board
June 2018

**South Ayrshire Integration Joint Board
Internal Audit Annual Report 2017/18**

Introduction

1. The 2017/18 internal audit plan for the IJB was approved by the Performance and Audit Committee on 27 June 2017. This report summarises Internal Audit section activity for the year 2017/18.

Internal control framework

2. 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 policy and procedure. Such systems of internal control can provide only reasonable and not absolute assurance against loss.

Remit

3. The operational delivery of services within the NHS Ayrshire and Arran Health Board and South Ayrshire Council on behalf of the Integration Joint Board will be covered by their respective internal audit arrangements.
4. The Chief Internal Auditor operates under the South Ayrshire Council Internal Audit Charter which was last approved by the Council's Audit and Governance Panel on [30 May 2018](#).
5. The Internal Audit service of NHS Ayrshire and Arran was provided by PricewaterhouseCoopers (PwC) for 2017/18. Their plan for 2017/18 was approved by the NHS Ayrshire & Arran Audit Committee.
6. The Performance and Audit Committee will receive all South Ayrshire Council audit reports relevant to the IJB. Progress is recorded on an ongoing basis and is reported to the Performance and Audit Committee.
7. All PwC internal audit reports are presented at the NHS Audit Committee in addition to any other relevant governance committees within NHS Ayrshire & Arran, as appropriate. The Performance and Audit Committee will have access to NHS Internal Audit reports.

Reporting requirements of the Public Sector Internal Audit Standards (PSIAS)

8. The Internal Audit Service continues to operate in accordance with the PSIAS requirements. Internal Audit is an independent function, with internal auditors remaining objective in the performance of their work. The Internal Audit Charter meets the requirements of the PSIAS, and sets out the purpose, authority and responsibility of the service.
9. 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.	There is reporting directly to the Performance and Audit Committee.
1320	The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.	The results of the external assessment were reported to Committee on 18 June 2018. Six monthly exception reports are provided to the Council's Audit and Governance Panel, the most recent meeting being 29 August 2018 (Appendix 2 of that report).
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.	Report to Committee of 18 June 2018 provides the annual statement of assurance on internal controls. Annual report provided to Committee for meeting of 26 September 2018.
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.	Report to Committee of 18 June 2018 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.	Annual report provided to Committee for meeting of 26 September 2018. The results of the quality assurance and improvement programme were presented to Committee on 18 June 2018.

10. An independent external review of the Internal Audit service by East Renfrewshire's Chief Internal Auditor concluded that the internal audit service generally conforms to the PSIAS.

Achievement of the annual audit plan

11. South Ayrshire Council committed to contribute 25 internal audit days to the IJB which have been delivered through the complaints review undertaken by Audit Glasgow and the follow up of the prior year action plan. Audit reports are presented to senior management and include recommendations that, when implemented, will further improve the control environment.

Complaints

12. An arrangement with Audit Glasgow (the commercial arm of Glasgow City Council's internal audit service) was put in place to provide the internal audit service with additional resources for 2017/18 to cover staff absence. The work of Audit Glasgow included the IJB complaints review.

13. The final audit report on complaints is presented to the Performance and Audit Committee of 26 September 2018. The report concluded that, although no complaints had been received against the IJB, based on the control framework in place and the testing carried out, the controls in this area are in place and working effectively.

Follow Up of Prior Year Action Plan

14. All action points from prior year audit reports are recorded on the Pentana system. There is one action outstanding at 11 September 2018 (although this is 70% complete):
 - We recommended a process for formal reporting to the other Ayrshire IJBs as a lead partner should be implemented (ref: IA2016/45/03). A report was approved by the IJB and South Ayrshire Council in June, 2018 on 'Strategic Planning, Commissioning and Delivery of Health and Social Care Services within Ayrshire and Arran.' One of the issues this addressed was in relation to lead partnership services, including future reporting and determination of financial contributions based on usage data. It has been agreed that this will be based on a 'Fair Shares' approach determined through the application of the NHS NRAC formula. The first area to be considered will be in-patient and specialist Mental Health Services managed through the North Ayrshire Partnership. This approach when developed will then facilitate regular reporting to IJB.

Conclusions

15. The IJB internal audit plan was achieved for 2017/18.
16. Based on the work carried out during the year the Chief Internal Auditor can provide reasonable assurance that adequate controls were in place and were operating throughout the IJB in 2017/18.

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

Is a full Equalities Impact Assessment (EQIA) required? (A full EQIA must be carried out on all high and medium impact policies)	YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>
Rationale for decision: This report advises Members of progress in relation to the implementation of action plans contained in Internal Audit reports and progress against the 2018/19 internal audit plan. Their decision on this has no specific equality implications.	
Signed Laura Miller (Chief Internal Auditor)	
Date: 9 October 2018	Copy to equalities@south-ayrshire.gov.uk