

Meeting of South Ayrshire Health and Social Care Partnership	Performance & Audit Committee
Held on	30 June 2022
Agenda Item:	11
Title:	Internal Audit Annual Report and Statement on Internal Controls 2021/22
Summary:	
<p>The purpose of this report is to provide the Committee with the Internal Audit annual report and statement on internal controls for 2021/22.</p>	
Author:	Cecilia McGhee, Chief Internal Auditor
Recommendations:	
<p>It is recommended that the Performance & Audit Committee notes the content of this report.</p>	
Route to meeting:	
Implications:	
Financial	<input type="checkbox"/>
HR	<input type="checkbox"/>
Legal	<input type="checkbox"/>
Equalities	<input type="checkbox"/>
Sustainability	<input type="checkbox"/>
Policy	<input type="checkbox"/>
ICT	<input type="checkbox"/>

INTERNAL AUDIT ANNUAL REPORT 2021/22

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present to the Committee the annual report on the internal audit activity during 2021/22, and to provide an independent opinion on the adequacy and effectiveness of the governance, risk management and internal control systems operating within the IJB for the year ended 31 March 2022.

2. RECOMMENDATION

- 2.1 **It is recommended that the Performance & Audit Committee notes the content of this report.**

3. BACKGROUND INFORMATION

- 3.1 The Chief Internal Auditor is required, on an annual basis, to present an annual report and statement on internal controls to the Performance & Audit Committee.

4. REPORT

- 4.1 The required internal audit annual report for 2021/22, together with the statement on internal controls, is included in [Appendix 1](#) and concludes that 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 2021/22.

5. STRATEGIC CONTEXT

- 5.1 The proposals contained in this report link to the Integration Joint Board Strategic Plan 2021-2031 strategic objective number six, “We are transparent and listen to you”.

6. IMPLICATIONS

6.1 Financial Implications

- 6.1.1 There are no financial implications arising from this report.

6.2 Human Resource Implications

- 6.2.1 There are no Human Resources’ implications arising from this report.

6.3 Legal Implications

- 6.3.1 There are no legal implications arising from this report.

6.4 Equalities implications

6.4.1 There are no equalities' issues arising from this report.

6.5 Sustainability implications

6.5.1 There are no sustainability issues arising from this report.

6.6 Clinical/professional assessment

6.6.1 There are no clinical/professional assessments required of this report.

7. CONSULTATION AND PARTNERSHIP WORKING

7.1 There has been no prior consultation with any members of the Committee.

8. RISK ASSESSMENT

8.1. There are no risks arising from this report.

REPORT AUTHOR AND PERSON TO CONTACT

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BACKGROUND PAPERS

[Public Sector Internal Audit Standards \(PSIAS\) 2017](#)

[Internal Audit Standards Advisory Board – conformance with the PSIAS during the coronavirus pandemic \(July 2020\)](#)

22 June 2022

**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 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 Health 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 South Ayrshire Council's Audit and Governance Panel on 16 March 2022.

- 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.
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 2021, 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 most recent self-assessment was carried out in 2021 and the results of that reported to the Council's Audit and Governance Panel in November 2021, with 6-month exception reporting established. There were no actions arising from this assessment. The service was externally assessed as 'generally conforms'

with PSIAS in 2018. Self assessments since that date, and since the implementation of the external action plan, assess the service as 'fully conforms'. The next five-year external assessment is scheduled for 2022.

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 2021/22 allowed for 25 audit days to undertake IJB internal audit services. The audit plan for the IJB for 2021/22 was approved by the Performance and Audit Committee on 14 May 2021. 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 2021/22 was agreed with management and approved by the NHSAAA Audit Committee. The NHSAAA audit plan for 2021/22 included 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 2021/22

- 6.1. Internal audit activity during the year was undertaken in accordance with the approved annual internal audit plan. The plan included a review of the IJBs Risk Management Arrangements. The objective of this review was to obtain assurance that there that there are adequate arrangements in place within the IJB to manage risk. 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.
- 6.2. A copy of the full Internal Audit Report will be provided to IJB Members once finalised.

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 Council. The statement is included in [Annex A](#).

8. Conclusion

- 8.1. Sufficient internal audit work was completed during the year to form an internal audit opinion for 2021/22. There is no limitation of scope on the 2021/22 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 2022.

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 2021/22 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 2021/22.

The NHSAAA internal audit plan for 2021/22 was approved by the NHSAAA Audit Committee on 11 June 2021. The most up to date position for the NHSAAA internal audit plan is that the majority of the audit plan would be delivered in order to give an annual audit opinion to the NHS Audit Committee on 27 June 2022.

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 2022 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 2021/22.

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 2021/22.

Cecilia McGhee, Chief Internal Auditor
South Ayrshire Integration Joint Board
22 June 2022