

South Ayrshire Health and Social Care Partnership

REPORT

Meeting of South Ayrshire Health and Social Care Partnership	Performance and Audit Committee
Held on	8 September 2020
Agenda Item	9
Title	Internal Audit Annual Report and Statement on Internal Controls 2019/20
Summary: The purpose of this report is to provide the Committee with the Internal Audit annual report and statement on internal controls for 2019/20.	
Presented by	Laura Miller, Chief Internal Auditor
Action required: It is recommended that the Committee notes the content of this report.	

Implications checklist – check box if applicable and include detail in report									
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"/>						

**SOUTH AYRSHIRE HEALTH AND SOCIAL CARE PARTNERSHIP
PERFORMANCE AND AUDIT COMMITTEE
8 September 2020
Report by Chief Internal Auditor**

INTERNAL AUDIT ANNUAL REPORT 2019/20

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 2019/20, 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 2020.

2. RECOMMENDATION

- 2.1 **It is recommended that the 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 Committee.

4. REPORT

- 4.1 The required internal audit annual report for 2019/20, 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 2019/20.

5. STRATEGIC CONTEXT

- 5.1 The proposals contained in this report link to the Integration Joint Board Plan 2018-2021 objective, 'We will manage resources effectively, making best use of our integrated capacity'.

6. RESOURCE 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.

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.

9. EQUALITIES IMPLICATIONS

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

10. SUSTAINABILITY IMPLICATIONS

10.1 There are no sustainability issues arising from this report.

REPORT AUTHOR AND PERSON TO CONTACT

Name: Laura Miller, Chief Internal Auditor

Phone number: 01292 612432

Email address: laura.miller@south-ayrshire.gov.uk

BACKGROUND PAPERS

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

[IJB Internal Audit Plan 2019/20](#)

7 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 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 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.
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. A summary of the report is provided at [Appendix 2](#), and the copy of the full report has been provided to management and IJB Members.
- 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 Council. 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

2020/46 IJB Governance Arrangements

Aims and Objectives

This audit assignment is included in the IJB internal audit plan for 2019/20. The aim of the audit is to:-

- review the implementation of the previous 2016 Internal Audit Report recommendations;
- review service progress against the Ministerial Strategic Group recommendations; and
- review the service arrangements for review of the Scheme of Integration.

Background

The governance arrangements within South Ayrshire Council Integration Joint Board were the subject of an internal audit review in 2016 which resulted in an action plan. There were also actions arising from the Ministerial Strategic Group national review. A review of the Health and Social Care Partnership Scheme of Integration that was approved in 2015 is also due to be reviewed by the Service.

The audit concentrated on the Service progress in the implementation of the recommended actions.

Audit Opinion

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.

Key Findings

The Senior Manager, Planning and Performance retired in September 2019. The vacant post was filled in February 2020.

The Section 95 Officer role within the HSCP was under the remit of the Assistant Director of Finance within the Ayrshire and Arran NHS. In 2019 a new post was created to take on the sole role of the section of the Section 95 officer and the Chief Finance Officer started in February 2020.

The 2016 Internal Audit review raised eight recommendations that management accepted and agreed to implement. Internal Audit are satisfied that the service implemented these actions and where a further review is required this will be covered by the implementation of the Ministerial Strategic Group recommendations.

The review of the Integration Scheme has been carried out after a public consultation took place and the updated scheme was submitted to South Ayrshire Council on 5 March 2020 by the Director of Health and Social Care.

The service now has an effective structure in place and with key posts now filled by qualified staff. Internal Audit is satisfied that the MSG actions are in the process of being implemented with the progress being reported to the IJB, South Ayrshire Council and Ayrshire and Arran Health Board. Internal Audit has no issues with the progress that has been made to date given the recent vacancies that have now been filled.

Next steps

The audit gave rise to no further recommendations at this time. The governance arrangements will continue to be considered by Internal Audit.