

Meeting of South Ayrshire Health and Social Care Partnership	Performance & Audit Committee
Held on	26 June 2023
Agenda Item:	
Title:	Internal Audit Annual Report and Statement on Internal Controls 2022/23
Summary:	
<p>The purpose of this report is to provide the Committee with the Internal Audit annual report and statement on internal controls for 2022/23.</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 2022/23

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 2022/23, and to provide an independent opinion on the adequacy and effectiveness of the governance, risk management and internal control systems operating within the Integration Joint Board (IJB) for the year ended 31 March 2023.

2. RECOMMENDATION

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

3. BACKGROUND INFORMATION

- 3.1 The Public Sector Internal Audit Standard (PSIAS) requires the Chief Internal Auditor to present an annual report and statement on internal controls to the IJB Performance and Audit Committee on an annual basis. The Chief Internal Auditor of the IJB is the Chief Internal Auditor of South Ayrshire Council. The Council's Internal Audit team carries out the internal audit work for the IJB.
- 3.2 Internal Audit operates in accordance with the Internal Audit Charter, which is in compliance with the PSIAS. The updated Charter was approved by the Council's Audit and Governance Panel on 22 March 2023. A separate Charter is not deemed necessary for the IJB.

4. REPORT

- 4.1 The required internal audit annual report for 2022/23, 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 operating throughout the IJB in 2022/23.

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](#)

[Internal Audit Charter 2023](#)

16 June 2023

**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 purpose of this report is to provide an overview of the Internal Audit activity for 2022/23 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 2023.

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 22 March 2023.
- 3.4. The Quality Assurance and Improvement Programme (QAIP) covers all aspects of Audit Services, including 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, and one EQA (2018), has been completed and reported to the Council's Audit and Governance Panel. The service was externally assessed as 'generally conforms' with PSIAS in 2018 and an action plan prepared. The actions were full implemented and self assessments since then confirm the service 'fully conforms'. A second EQA is currently ongoing and the results of this assessment will be included in the next IJB annual report together with the results of the most recent self-assessment.

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 2022/23 allowed for 25 audit days to undertake IJB internal audit services. The 2022/23 Internal Audit Plan for the IJB was approved by the Performance and Audit Committee on 30 June 2022.
- 4.2. The Internal Audit service of NHSAAA was provided by Grant Thornton LLP in 2022/23. Grant Thornton's internal audit methodology is aligned to PSIAS. The NHSAAA internal audit plan for 2022/23 was agreed with management and approved by the NHSAAA Audit Committee. The NHSAAA audit plan for 2022/23 included an allocation of 30 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 2022/23

- 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 the IJBs Risk Management Arrangements and a review of Performance Monitoring Arrangements.
- 5.2. The objective of the follow up review was to obtain assurances that all actions from the 2021/22 IJB Risk Management audit review had been implemented. This review has been completed and concluded that all actions had been sufficiently implemented. A copy of this report has been shared with IJB Members.

- 5.3. The objective of the Performance Monitoring audit review was to obtain assurance that there are strong controls in place around performance monitoring arrangements, with particular focus on measures which assess the improvements from integration and redesign of services. 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.
- 5.4. A copy of the full Internal Audit Report will be provided to IJB Members once finalised.

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 2022/23. There is no limitation of scope on the 2022/23 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 2023.

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 Grant Thornton LLP in to year to 31 March 2023. Grant Thornton's internal audit methodology is aligned to PSIAS.

The Council's internal audit section provides an annual report and assurance statement for 2022/23 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 2022/23.

The NHSAAA internal audit plan for 2022/23 was approved by the NHSAAA Audit Committee on 17 March 2022. The most up to date position for the NHSAAA internal audit plan (May 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 2022/23

Two reviews were completed for the IJB in 2022/23. A review of Performance Monitoring Arrangements and a follow up review of Risk Management Arrangements. The Performance Monitoring review conclude that reasonable assurance can be provided over the system of controls in place. The follow up review confirmed all improvement actions had been sufficiently implemented

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 2023 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 2022/23.

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 2023.

Cecilia McGhee, Chief Internal Auditor
South Ayrshire Integration Joint Board
16 June 2023