



## AUDIT & PERFORMANCE COMMITTEE

24 June 2024

### INTERNAL AUDIT ANNUAL REPORT 2023/24

Report by Chief Internal Auditor  
(Report No. G/24/96)

#### PURPOSE OF REPORT

This report presents the year-end report and audit opinion of the Chief Internal Auditor for 2023/24, as set out in Section 5.

#### 1. BACKGROUND

- 1.1 The Integrated Resources Advisory Group (IRAG) guidance outlines the responsibility of the Integration Joint Board (the IJB) to establish adequate and proportionate internal audit arrangements for review of the adequacy of arrangements for risk management, governance and control of the delegated resources.
- 1.2 This guidance states that the IJB has responsibility for reviewing the effectiveness of the governance arrangements including the system of internal control. To inform this review and the preparation of the governance statement, as stated in the CIPFA framework on Delivering Good Governance in Local Government, Internal Audit is required to provide an annual assurance statement on the overall adequacy and effectiveness of the framework of governance, risk management and control.
- 1.3 The IJB considered the appointment of Internal Auditors for 2022/23 to 2024/25 in March 2022 ([G/22/37](#)). The Chief Internal Auditor for Perth & Kinross Council was appointed as the Chief Internal Auditor for the IJB with the Internal Audit resources being provided jointly by Perth & Kinross Council and the NHS through Fife, Tayside & Forth Valley Internal Audit Services.
- 1.4 The Public Sector Internal Audit Standards (PSIAS) require the Chief Internal Auditor to provide an annual opinion which must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The report must incorporate the opinion, a summary of the work that supports this opinion, a statement on conformance

with the PSIAS and the results of the quality assurance and improvement programme. This report fulfils this requirement.

- 1.5 Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. In accordance with the PSIAS, it helps the council accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.
- 1.6 Perth & Kinross IJB's internal controls include the full range of policies, procedures and practices intended to ensure the proper conduct of its operations and the achievement of its objectives. They include processes and procedures, organisational structures, job descriptions, authorisation limits, management supervision, risk management processes, reports and decisions.
- 1.7 It is the responsibility of management to devise, implement and maintain appropriate controls over the activities for which they are responsible. The role of Internal Audit is to provide an opinion to the IJB as to the effectiveness of the controls that have been put in place by management in order to ensure that the organisation achieves its objectives. Internal Audit is thus a key part of the process by which the IJB ensures the management of the risks that threaten the achievement of its objectives.
- 1.8 Internal Audit's work is planned in such a way as to take account of these risks. Prioritising work towards the areas of highest assessed risk enables the Council to identify and remedy the most material weaknesses in its framework of internal controls.
- 1.9 In line with the PSIAS, Internal Audit undertakes a process of planning resulting in an annual plan. For 2023/24, the report containing Internal Audit's planned workload was considered and approved in October 2023 ([report G/23/146](#)). All the IJB's activities are reviewed as part of the planning process along with reports arising from external scrutiny, including those relating to the Joint Inspection and the Partnerships response to the Ministerial Steering Group's report. The plan for 2023/24 aimed to cover the most significant areas of risk within the resources available whilst ensuring that there was a balance of coverage for all Service areas.
- 1.10 This report summarises the audit work carried out in 2023/24 and presents the Chief Internal Auditor's opinion on the effectiveness of the Council's internal control environment for that year.

## **2. INTERNAL AUDIT'S WORK IN 2023/24**

- 2.1 This section presents an overview of Internal Audit's work during 2023/24 in its role as independent reviewer of the IJB's systems of internal control, risk management and governance. The Internal Audit Plan approved in October 2023 included 3 planned internal audit assignments along with the completion of one assignment for a previous Internal Audit Plan.

- 2.2 Resource availability for both Internal Audit partners has impacted on the delivery of the Internal Audit service in the year. These issues have been resolved and a plan is in place for the plan's completion over the coming months. The audit carried forward from the 2022/23 Internal Audit Plan is due for completion in the summer. Two assignments have commenced from the 2023/24 Internal Audit Plan with the remaining assignment to commence in July 2024. The outcomes from these assignments, where available, have been taken into account when arriving at the Internal Audit Opinion.
- 2.3 The results detailed in this report relate to all internal audit activity between May 2023 and May 2024 relating to Internal Audit's work during that period, both planned and unplanned.
- 2.4 The Chief Internal Auditor has reviewed reports and evidence which has been considered by the IJB and the Audit & Performance Committee throughout the year. In addition, reports considered by NHS Tayside and Perth & Kinross Council's Audit & Risk Committees have been considered, where these impact on the control environment for Perth & Kinross' IJB. Unplanned work, whether reported or otherwise, has also been taken into account.
- 2.5 The Chief Internal Auditor has reviewed and validated the self-assessment process undertaken to arrive at the IJB's Annual Governance Statement.
- 2.6 From this activity, broadly satisfactory controls are in place.

### **Follow Up of Action Plans**

- 2.7 The responsibility for considering (and accepting or rejecting) Internal Audit's findings rests with management. Final audit reports record the agreed plan of action, including the individual(s) responsible; and the planned timescales for completion. The audit process is of little value unless action is taken to remedy deficiencies in internal control where these are identified.
- 2.8 The Chief Officer provides the Audit & Performance Committee with a regular update on progress with agreed Internal Audit Actions.
- 2.9 In the Chief Internal Auditor's opinion, the procedures in place provide a sound basis for ensuring that progress against the agreed plans is exposed to the proper level of scrutiny.

## **3. THE AUDIT & PERFORMANCE COMMITTEE**

- 3.1 The Audit & Performance Committee operates within an approved 'Role and Remit' and, as a formally constituted Committee of the IJB. The Committee conducts its meetings in public, with its meetings routinely recorded and available to view via a link from the Committee's webpage, thus ensuring a high degree of accountability for its activities.

#### **4. COMPLIANCE WITH AUDITING STANDARDS**

- 4.1 The Public Sector Internal Audit Standards (PSIAS) have been adopted by Perth & Kinross Council as the relevant professional standards. These standards are applied to Internal Audit's work in relation to the IJB.
- 4.2 Internal Audit services are required to be externally validated against these standards every 5 years. Perth & Kinross Council's Internal Audit function was assessed in 2018/19 as being fully compliant with these standards. The Chief Internal Auditor's annual self-assessment of conformance also supports this opinion. There has been a delay in the process for the 2023/24 external validation and this is due to be completed later in the year. This delay is partially as a result of the impact of the COVID pandemic and partially due to resourcing of Internal Audit across the Scottish Public Sector.

#### **Code of Ethics**

- 4.3 Internal Auditors must conform to the Code of Ethics included within the Standards. This Code incorporates the principles and rules of conduct for Internal Auditors' integrity, objectivity, confidentiality and competency.

#### **5. AUDIT OPINION**

- 5.1 In the Chief Internal Auditor's opinion, reasonable reliance can be placed on the IJB's risk management and governance arrangements, and systems of internal control for 2023/2024, subject to management implementation of the agreed actions detailed in Internal Audit reports.

#### **6. CONCLUSION AND RECOMMENDATION**

- 6.1 It is recommended that the Committee notes the content of this report and specifically the Audit Opinion at Section 5.

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