



PERTH AND KINROSS INTEGRATION JOINT BOARD

AUDIT & PERFORMANCE COMMITTEE

22 JUNE 2020

INTERNAL AUDIT ANNUAL REPORT 2019/20

Report by the Chief Internal Auditor (G/20/64)

PURPOSE OF REPORT

This report presents the year-end report and audit opinion of the Chief Internal Auditor for 2019/20, as set out in Section 5.

1. BACKGROUND / MAIN ISSUES

- 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 2019/20 and beyond in June 2019 (Report G/19/102 refers). 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 Council 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 Council 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 2019/20, the report containing Internal Audit's planned workload was considered and approved in September 2019 (report G/19/141). 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 in February 2019. The plan for 2019/20 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 2019/20 and presents the Chief Internal Auditor's opinion on the effectiveness of the Council's internal control environment for that year.
- 1.11 This report does not reflect any work undertaken in response to the management of arrangements to ensure the delivery of critical service during the COVID 19 pandemic. Assurance work surrounding this area, and the IJB's exposure to risk as a result, will be included within the Internal Audit Plan for 2020/21.

2. INTERNAL AUDIT'S WORK IN 2019/20

- 2.1 This section presents an overview of Internal Audit's work during 2019/20 in its role as independent reviewer of the IJB's systems of internal control. The Internal Audit Plan approved in September 2019 included 3 planned internal audit assignments along with ongoing consultancy work and the completion of assignments from previous years.
- 2.2 All planned assignments have commenced, with findings arising from these being taken into account when drafting this report. Final reports from these three assignments will be considered by the Audit & Performance Committee at a future date. In addition, reports arising from the concluded work for previous years' assignment have been taken into account when arriving at the Internal Audit Opinion.
- 2.3 Due to the IJB's response to the COVID-19 pandemic, Internal Audit assignments were paused. The Partnership has put in place arrangements for directing its efforts to providing essential services in connection with COVID 19, whilst being consistent with Scottish Government advice and guidance. The governance arrangements put in place for the period covered by this report were proportionate in its response to the pandemic.
- 2.4 The results detailed in this report relate to all audit reports issued between April 2019 and March 2020 relating to Internal Audit's work during that period, both planned and unplanned.
- 2.5 The Audit & Performance Committee has considered three Internal Audit reports commissioned for the HSCP and one report for Perth & Kinross Council where the subject matter was of relevance to the control environment within the Partnership (18-22 Carers Act Implementation).
- 2.6 From the reports published within the year, adequate controls were in place for Strategic Planning, with further improvements being implemented throughout the year; improvements had been noted in relation to the embedding of risk management with next steps highlighted following the Risk Maturity Assessment; and further actions were identified in relation to the Clinical Care and Professional Governance audit. In relation to the report from a partner organisation in relation to the Carer's Act Implementation, arrangements associated with the management of risk control and governance in this area was assessed as strong.
- 2.7 Assignments for the current year were progressing well up to the point that a response to COVID-19 was required which resulted in a pause to these assignments. The way forward with each of these is now being assessed and a report will be brought forward to a future meeting of the Audit & Performance Committee regarding these audits. Assurance is being taken from the progress made to date with these assignments, which has demonstrated some activity with relation to the progression of a systematic approach to performance management and the consolidation of improvement actions.

- 2.8 Internal Audit has also taken assurance from the Partnership's response to external inspections and self-assessments. The Partnership is assessing its capability to progress these positively going forward.

Follow Up of Action Plans

- 2.9 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.
- 2.10 The Chief Finance Officer provides the Audit & Performance Committee with a regular update on progress with agreed Internal Audit Actions.
- 2.11 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.

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 2019/2020, 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.

Author(s)

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