



AGENDA ITEM NO: 7

Report To:	Inverclyde Integrated Joint Board Audit Committee	Date:	24 June 2024
Report By:	Chief Officer Inverclyde Integration Joint Board	Report No:	LS/049/24
Contact Officer:	Vicky Pollock	Contact No:	
Subject:	Internal Audit Annual Report and Assurance Statement 2023/24		

1.0 PURPOSE AND SUMMARY

1.1 For Decision For Information/Noting

1.2 The purpose of this report is to present the Internal Audit Annual Report and Assurance Statement for 2023/24 which forms part of the Integration Joint Board's Annual Governance Statement.

2.0 RECOMMENDATIONS

2.1 It is recommended that the Audit Committee notes the contents of the Internal Audit Annual Report and Assurance Statement for 2023/24.

Kate Rocks
Chief Officer
Inverclyde Health and Social Care Partnership

3.0 BACKGROUND AND CONTEXT

- 3.1 Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor provides a written statement to the Section 95 Officer to support the Annual Governance Statement. This report should present an opinion as to the overall adequacy and effectiveness of the organisation's internal control environment.
- 3.2 The report should also:
- Disclose any qualifications to that opinion, together with reasons for the qualification;
 - Present a summary of the audit work undertaken to formulate the opinion including reliance placed on the work by other assurance bodies;
 - Draw attention to any issues the Chief Internal Auditor judges particularly relevant to the preparation of the statement on internal control; and
 - Compare the work undertaken with work planned.
- 3.3 The Accounting Code of Practice ("ACOP") requires that the Section 95 Officer produces a signed Annual Governance Statement as part of the Council's Annual Report. This report is subject to External Audit scrutiny as part of the year-end audit process.

4.0 PROPOSALS

- 4.1 The Internal Audit Annual Report 2023/24 included at Appendix 1 concludes that the majority of the IJB's established internal control procedures operated as intended to meet management's control requirements for each area reviewed by Internal Audit. The overall audit opinion is **Satisfactory** and reasonable assurance can be placed on the adequacy and effectiveness of the IJB's governance, risk management and controls in the year to 31 March 2024.

5.0 IMPLICATIONS

- 5.1 The table below shows whether risks and implications apply if the recommendation is agreed:

SUBJECT	YES	NO
Financial		X
Legal/Risk	X	
Human Resources		X
Strategic Plan Priorities	X	
Equalities		X
Clinical or Care Governance		X
National Wellbeing Outcomes		X
Children & Young People's Rights & Wellbeing		X
Environmental & Sustainability		X
Data Protection		X

5.2 Legal/Risk

There is a risk that failure to deliver the Internal Audit Plan would result in an inability to provide a minimum level of assurance over the IJB's system of internal control to those charged with governance.

5.3 Strategic Plan Priorities

The establishment of a robust Internal Audit Plan will assist in assessing whether the IJB has established proper governance, risk management and control arrangements which contribute to the achievement of the IJB's strategic priorities.

6.0 DIRECTIONS

6.1	Direction Required to Council, Health Board or Both	Direction to:	
		1. No Direction Required	X
		2. Inverclyde Council	
		3. NHS Greater Glasgow & Clyde (GG&C)	
		4. Inverclyde Council and NHS GG&C	

7.0 CONSULTATION

7.1 Not applicable. This report summarises the work carried out during 2023/24 which have been included in separate progress reports to Audit Committee.

8.0 BACKGROUND PAPERS

8.1 Internal Audit Strategy and Plan 2023/24. Internal Audit Progress Reports to Audit Committee in June and September 2023 and March 2024.

Internal Audit Annual Report and Assurance Statement 2023/24

18 June 2024

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SECTION 1 – INTRODUCTION

Purpose of this report

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor provides a written statement to the s95 Officer timed to support the Annual Governance Statement. This report constitutes the required statement. As required by PSIAS, this report presents the opinion of the overall adequacy and effectiveness of Inverclyde Integration Joint Board (IJB)'s risk management, control and governance processes, based on the work Internal Audit has performed. The scope of internal audit work, the responsibilities of Internal Audit, and the assurance given on the adequacy and effectiveness of the Internal Control System of the IJB are explained further in Section 4 of this report.

Main objectives of the IJB's Internal Audit Team

- 1.2 Internal Audit is an assurance function that primarily provides an independent, objective opinion to the Board on the control environment. The overall objective of Internal Audit is to review, appraise and report on the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources. A secondary objective is to advise management on improvements in internal control systems.

Scope of the IJB's Internal Audit Team

- 1.3 The scope of Internal Audit allows for unrestricted coverage of the IJB's activities and unrestricted access to records and assets deemed necessary by auditors in the course of an audit.

Acknowledgements

- 1.4 The assistance provided by IJB officers in the course of the work undertaken by Internal Audit during 2023/24 is gratefully acknowledged.

SECTION 2 – ASSESSMENT OF RISK MANAGEMENT, CONTROLS AND GOVERNANCE

Scope

- 2.1 The work undertaken by Internal Audit in 2023/24 is summarised in Section 3 of this Report.
- 2.2 The overall assessment arising from work undertaken is summarised in paragraphs 2.3 to 2.4 below. In interpreting this assessment, consideration needs to be given to the respective responsibilities of Management and Internal Audit and the related limitations on the assurance that Internal Audit can provide (as explained in Section 4).

Overall assessment

On the basis of Internal Audit work carried out in 2023/24, the majority of the IJB's established internal control procedures appeared to operate as intended to meet Management's requirements for the individual systems reviewed by Internal Audit. On the basis of selective testing of key controls it can be concluded that, in the main, controls were generally operating as expected during the period under review, although it does need to be recognised that some recommendations were made by Internal Audit to improve controls. The overall opinion is **Satisfactory**.

Other matters

- 2.3 Summaries of the issues arising in relation to each system or activity covered by Internal Audit work in 2023/24 are reported separately to the Audit Committee. Appropriate responses to the recommendations made in internal audit reports have been obtained. When actioned, the recommendations made in the Internal Audit reports should provide management with additional comfort that the system of control operates as intended. It is therefore imperative that the agreed actions are implemented by management.
- 2.4 A follow up process is in place which ensures that all actions arising from internal audit reviews are captured within a follow up database, and are subject to follow up and validation by the Internal Audit on a regular basis, with reporting on progress to the Audit Committee.

SECTION 3 – INTERNAL AUDIT WORK CONDUCTED

Internal audit approach

- 3.1 The internal audit work has been conducted in accordance with an established methodology that promotes quality and conformance with the Public Sector Internal Audit Standards and the agreed Internal Audit annual audit plan.

Progress on the 2022/2023 internal audit plan

- 3.2 The Annual Internal Audit Operational Plan 2023/24 was discussed and agreed with the Audit Committee on 26 June 2023.
- 3.3 Progress against planned audit work for the year to 31 March 2024 can be summarised as follows:

Progress on the 2023/24 internal audit plan

Audit Area	Scope	Status
Review of Best Value Assurance arrangements.	The review focussed on the high-level processes and procedures in relation to managing best value and concentrated on identified areas of perceived higher risk, such as not adequately managing the activities required to secure best value and not adequately reporting those activities.	Complete
Review of current Audit Committee arrangements against CIPFA Audit Committee Guidance October 2022	The review focussed on assessing the current arrangements for audit committee against best practice guidance set out in the October 2022 CIPFA guidance for audit committees and identifying any recommended improvement actions.	Planning – will be carried forward to 2024/25
Action Plan Follow Up	To monitor the progress of implementation of agreed internal audit action plans by management.	Ongoing
Audit Planning and Management	Review and update of the audit universe and attendance at IJB Audit Committee.	Complete
Internal Audit Annual Report	Annual report on 2023-24 audit activity.	Complete

Performance Measures

3.7 The following performance measures were in place for 2023/24:

Measure	Description	Target	Actual
1. Final Report	Percentage of final reports issued within 2 weeks of draft report.	100%	100%
2. Draft Report	Percentage of draft reports issued within 3 weeks of completion of fieldwork.	90%	100%
3. Audit Plan Delivery	Percentage of audits completed v planned.	85%	50% (1)
4. Audit Budget	Percentage of audits completed within budgeted days.	80%	100%
5. Audit Recommendations	Percentage of audit recommendations agreed.	90%	100%
6. Action Plan Follow Up	Percentage of action plans followed up – Internal Audit.	100%	100%
7. Customer Feedback	Percentage of respondents who rated the overall quality of internal audit as satisfactory or above.	100%	100%
8. Staff compliance with CPD	Number of training hours undertaken to support CPD	60	60
9. Management engagement	Number of meetings with Chief Officer and Chief Financial Officer as appropriate	2 per year	2

(1) The review of audit committee arrangements has been carried forward to 2024/25 audit plan.

Reliance from other assurance providers

- 3.8 During 2023/24, there were a number of audit reviews carried out by Inverclyde Council which impacted on the IJB.
- 3.9 In terms of audit follow up processes, Internal Audit follow up each action when it falls due with regular reporting to the Council’s Corporate Management Team and Inverclyde Council Audit Committee on the implementation of agreed actions and any matters of concern.
- 3.10 In addition, corporate fraud investigations have been undertaken in relation to blue badge enquiries to establish validity of use.
- 3.11 The overall audit opinion reported in the Inverclyde Council Internal Audit Annual Audit report was as follows:-

*On the basis of Internal Audit work carried out in 2023/24, the majority of Inverclyde Council’s established internal control procedures appeared to operate as intended to meet Management’s requirements for the individual systems reviewed by Internal Audit. On the basis of selective testing of key controls it can be concluded that, in the main, controls were generally operating as expected during the period under review, although it does need to be recognised that a number of recommendations were made by Internal Audit to improve controls. The overall opinion was **Generally Satisfactory**. There was one audit review which received a “Requires Improvement” rating in relation to Attendance Management and an action plan is in place to address all issues.*

- 3.12 During 2023/24, a number of Internal Audit Reports have been issued to NHSGGC. The NHSGGC Internal Audit Annual Report for 2023/24 has not yet been received but information has been provided that there were no significant issues arising.
- 3.13 Internal Audit undertake follow up work on a quarterly basis to confirm the implementation of recommendations. The results of the follow up work are then reported to the Audit Committee with any matters of concern being drawn to the attention of this Committee.

Reliance by external audit

- 3.14 During the year under review, liaison has taken place with the IJB's External Auditors through joint attendance at the Audit Committee, meetings, ad hoc discussions and the sharing of audit plans and reports. External audit considers the work of Internal Audit throughout the year to inform their audit process.

SECTION 4 – SCOPE, RESPONSIBILITIES AND ASSURANCE

Approach

- 4.1 The internal audit work has been conducted in accordance with an established methodology that promotes quality and conformance with the Public Sector Internal Audit Standards and the agreed annual audit plans. The overall scope of the internal audit work encompasses the IJB's risk management practices, governance practices and internal controls.
- 4.2 The Annual Audit Plan is based on a formal risk assessment which is revised on an ongoing basis to reflect evolving risks and changes within the IJB. The Internal Audit Annual Audit Plan 2023/24 was discussed and agreed at the Audit Committee on 26 June 2023. In addition, consultation on the content and coverage of the audit plan took place with the Chief Officer and the Chief Financial Officer.

Responsibility and reporting lines of the Chief Internal Auditor

- 4.3 The Chief Internal Auditor reports functionally to the IJB Audit Committee and has a right of access and freedom to report in her own name to all officers and members and particularly those charged with governance. The adoption of these arrangements enables the IJB to conform with the reporting line requirements of the International Standard on Auditing ("ISA") (UK and Ireland) 610 and the Public Sector Internal Audit Standards which were adopted by Local Government in the United Kingdom on 1 April 2013.
- 4.4 The Chief Internal Auditor also has a specific responsibility to the IJB's s95 Officer to provide assurances which informs the preparation of the Annual Governance Statement for inclusion in the IJB's Annual Report and Accounts.

The work of Internal Audit

- 4.5 Internal Audit is an independent appraisal function established by the IJB for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

- 4.6 In accordance with the principles of Corporate Governance, the Chief Internal Auditor reports with independence and impartiality to the IJB's Audit Committee on a regular basis. The Chief Internal Auditor prepares an annual report containing a view on the adequacy and effectiveness of the systems of internal controls.
- 4.7 The Internal Audit team operates in accordance with an established methodology that promotes quality and conformance with the Public Sector Internal Audit Standards. Internal Audit undertakes an annual programme of work approved by the IJB's Audit Committee. The Annual Audit Plan is based on a formal risk assessment, which is revised on an ongoing basis to reflect emerging risks and changes within the IJB. The Internal Audit Annual Audit Plan for 2023/24 was discussed and agreed at the Audit Committee on 26 June 2023. .
- 4.8 All Internal Audit reports identifying system improvements or non-compliance with expected controls are brought to the attention of management and include recommendations for improvement and agreed Action Plans. It is management's responsibility to give proper consideration to Internal Audit reports and take appropriate action on audit recommendations. The Chief Internal Auditor is required to confirm that appropriate arrangements are made to determine whether action has been taken on Internal Audit recommendations or that management has understood and accepted the risks of not taking action. Management progress on implementing actions is reported to the IJB's Audit Committee at each committee cycle.

Responsibilities of Management and Internal Audit

- 4.9 It is Management's responsibility to maintain systems of risk management, internal control and governance.
- 4.10 Internal Audit is an element of the internal control framework established by management to examine, evaluate and report on accounting and other controls over operations. Internal Audit assists management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal Audit cannot be held responsible for internal control failures.
- 4.11 Internal Audit's role includes assessing the adequacy of the risk management, internal controls and governance arrangements put in place by management and performing testing on a sample of transactions to ensure those controls were operating for the period under review.
- 4.12 Public Sector Internal Audit Standards (PSIAS) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence. We can confirm that all staff members involved in 2023/24 internal audit reviews were independent of operational processes and their objectivity was not compromised in any way.

Basis of the internal audit assessment

- 4.13 In accordance with Guidance supporting the Public Sector Internal Audit Standards, the assessment on risk management, control and governance is based upon:
- Internal Audit work undertaken by the Internal Audit Team during the year to 31 March 2024 (in accordance with the annual audit plan approved by the Audit Committee);
 - The assessments of risk completed during the preparation and updating of the annual audit plan;
 - Reports issued by Internal Auditors for Inverclyde Council and the NHSGGC;
 - Reports issued by Audit Scotland, the IJB's External Auditors; and
 - Internal Audit's knowledge of the IJB's governance, risk management and performance monitoring arrangements.

Limitations on the assurance that Internal Audit can provide

- 4.14 It should be noted that the assurance expressed within this report can never be absolute. It is not a guarantee that all aspects of risk management, control and governance are adequate. The most that internal audit can provide to the s95 Officer and Audit Committee is reasonable assurance based on the work performed.
- 4.15 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from this engagement. These limitations include the possibility of faulty judgment in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. Also there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in future.
- 4.16 Organisations and their internal control needs differ by type, size, culture and management philosophy. One organisation's internal control system may be very different from another's in relation to similar processes. Also, decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.

Satisfactory	<p>Controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.</p> <ul style="list-style-type: none"> • A limited number of Amber rated issues may have been identified, but generally only green issues have been found in individual audit assignments. • None of the individual assignment reports have an overall opinion of <i>Requires Improvement or Unsatisfactory</i>.
Generally Satisfactory with some improvement needed	<p>A few specific control weaknesses were noted: generally however, controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.</p> <ul style="list-style-type: none"> • A number of Amber rated issues identified in individual audit assignments that collectively do not significantly impact the system of internal control. • Red rated issues that are isolated to specific systems or processes. • None of the individual assignment reports have an overall opinion of <i>Unsatisfactory</i>.
Major improvement needed	<p>Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.</p> <ul style="list-style-type: none"> • A high number of Amber rated issues that collectively have a significant impact on some parts of the system of internal control but are not widespread. • A number of Red rated issues that collectively have a significant impact on some parts of the system of internal control but are not widespread. • A small number of individual assignment reports have an overall opinion of <i>Requires Improvement or Unsatisfactory</i>.
Unsatisfactory	<p>Controls evaluated are not adequate, appropriate or effective to provide reasonable assurance that risks are being managed and objectives should be met.</p> <ul style="list-style-type: none"> • Amber and Red rated issues identified in individual assignments that collectively are widespread to the system of internal control. • A high number of individual assignment reports have an overall opinion of <i>Requires Improvement or Unsatisfactory</i>.