

AYRSHIRE ECONOMIC JOINT COMMITTEE

MEETING – 13 SEPTEMBER 2021

REPORT BY CHIEF AUDITOR, EAST AYRSHIRE COUNCIL

SUBJECT: AGD INTERNAL AUDIT PLAN 2021/22

PURPOSE OF REPORT

1. The purpose of this report is provide for noting an annual consolidated internal audit plan in line with obligations laid out in the Ayrshire Growth Deal (AGD) Governance Document.

RECOMMENDATIONS

2. It is recommended that Members:
 - (i) Note the current arrangements for Internal Audit as laid out at Appendix 1 and further note that this report was not presented, as anticipated, to the Ayrshire Regional Economic Partnership Board on 19 August 2021 which was stood down pending consideration of revisions to governance arrangements.
 - (ii) Note the annual consolidated internal audit plan presented at Appendix 2.
 - (iii) Note the proposed arrangements to report the outcomes of individual internal audit assignments laid out at paragraph 8.
 - (iv) Otherwise note the contents of the report.

REQUIREMENT TO HAVE AN INTERNAL AUDIT FUNCTION

3. The Local Authority Accounts (Scotland) Regulations 2014 require local authorities to operate a professional and objective internal auditing service. The internal audit service must be provided in accordance with recognised standards and practices in relation to internal auditing. Recognised standards and practices are those set out in the Public Sector Internal Audit Standards (PSIAS).
4. It is the responsibility of each authority to ensure compliance with the PSIAS.

CONTROL ENVIRONMENT WITHIN COUNCILS

5. It is primarily the responsibility of management to establish an appropriate and sound system of internal controls, and to monitor the continuing effectiveness of that system.
6. Internal Audit reports are presented to senior management and include recommendations that, when implemented, will further improve the control environment.

INTERNAL AUDIT PLANNING

7. From 2021/22 each Council will, in line with PSIAS requirements, carry out a risk assessment and decide how many days are to be allocated to the AGD in year. These days will be approved as part of each Council's Annual Internal Audit Plan by the relevant audit committee in line with the PSIAS. The approved days will be consolidated and brought to the Ayrshire Economic Joint Committee, and any other forums in line with revisions to governance arrangements agreed by the Joint Committee, for noting. The 2021/22 Plan is attached at Appendix 2.

PROPOSED REPORTING ARRANGEMENTS FOR INDIVIDUAL INTERNAL AUDIT ASSIGNMENTS

8. Outcomes from the individual internal audit assignments listed at Appendix 2 will be shared with the established readership in the Council which carried out the work, the East Ayrshire Council Chief Auditor and members of the Ayrshire Economic Joint Committee and other relevant forums in line with any revisions to governance arrangements agreed by the Joint Committee. Through the PMO, reports will be placed within an "audit room" on the AGD portal. The Chief Auditor will advise members each time a report is posted. A summary of this work will be included in the AGD Internal Audit Annual Report for consideration by the Ayrshire Economic Joint Committee and any other relevant forums as referred to above.

POLICY/COMMUNITY PLANNING IMPLICATIONS

9. No issues arising from this report.

LEGAL IMPLICATIONS

10. No issues arising from this report.

HUMAN RESOURCE IMPLICATIONS

11. No issues arising from this report.

EQUALITY IMPACT IMPLICATIONS

12. No issues arising from this report.

FINANCIAL IMPLICATIONS

13. No issues arising from this report.

RISK IMPLICATIONS (INTERNAL AUDIT RESOURCES)

14. Each year there is the ongoing risk of significant unplanned work emerging in each Council, planned resources not being available and work not being carried out to an acceptable standard which would compromise the ability to complete sufficient work to produce an Annual Internal Audit Opinion; local mitigations should offset the potential impact of these risks.

NET ZERO IMPLICATIONS

15. No issues arising from this report.

APPENDICES

16. The annual report is supported by two appendices:
- Appendix 1: AGD Governance Document (Internal Audit Extract)
 - Appendix 2: AGD Consolidated Internal Audit Annual Plan 2021/22

Eilidh Mackay
Chief Auditor, East Ayrshire Council
30 August 2021

LIST OF BACKGROUND PAPERS

1. Public Sector Internal Audit Standards (PSIAS) (3rd edition March 2017)
2. Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards (2nd edition February 2019)
3. Chartered Institute of Public Finance & Accountancy (CIPFA), CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2nd edition April 2019)
4. AGD Governance Document
[Deal Documents - All Documents \(south-ayrshire.gov.uk\)](https://south-ayrshire.gov.uk/deal-documents-all-documents)

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AGD GOVERNANCE DOCUMENT V14 (INTERNAL AUDIT EXTRACT)

- 2.16 The Accountable Body's Chief Auditor will be appointed as Chief Auditor for the AGD to coordinate Internal Audit activity.
- 2.17 Each partner will be responsible for allocating Internal Audit resources as required for local AGD activities. The Accountable Body's Internal Audit section will reserve the right to review programme and project activities as required and request information from all partners regarding these activities.
- 2.18 Each year a consolidated Internal Audit Plan will be presented to the EJC and REP having been prepared following:
 - consultation with relevant senior officers of the AGD PMO;
 - consideration of the risks affecting the AGD at programme and project level;
 - consideration of both internal and external factors affecting the AGD;
 - consideration of previous internal and external audit findings;
 - consideration of all of these elements which will inform Public Sector Internal Audit Standards (PSIAS) based risk assessments carried out locally by the Accountable Body and Partner Authorities; and
 - any relevant items subsequently included in local Internal Audit plans approved by each partner's audit committee in line with PSIAS obligations will be reflected in the consolidated AGD Internal Audit Plan.
- 2.19 All AGD Internal Audit work will be carried out in line with the PSIAS with individual Internal Audit assignment reports presented to the EJC and REP for noting.
- 2.20 The EJC and REP will be advised of the overall outcomes from Internal Audit work in an annual Internal Audit Report the timing of which is anticipated to align with the annual accounts timetable and will be reported to the EJC and REP for noting in line with PSIAS requirements.
- 2.21 The Annual Internal Audit Report will include a summary of AGD internal audit work in year by all partners, an annual opinion for the AGD and for further assurance will also include the authority-wide Annual Internal Audit opinions prepared by each partner.
- 2.22 Actions arising from Internal Audits will be followed up by the relevant Internal Audit team in line with established arrangements in that authority and these follow-up reports will be presented to the EJC and REP for noting.
- 2.23 Further audit, advisory consultancy or investigative work may be requested by the EJC and REP.
- 2.24 The Accountable Body's Chief Auditor will liaise with partner Chief Auditors through established arrangements

AGD CONSOLIDATED INTERNAL AUDIT ANNUAL PLAN 2021/22

| Council | Anticipated Assignments | Days |
|----------------|---|-------------|
| East Ayrshire | Ayrshire Growth Deal – Governance & Assurance Testing (including resourcing of AGD Chief Auditor role) | 25 |
| North Ayrshire | Review the governance arrangements in North Ayrshire Council in relation to the Ayrshire Growth Deal. | 20 |
| South Ayrshire | Review of South Ayrshire's internal governance arrangements. | 15 |
| | Total Planned Days | 60 |