

AYRSHIRE ECONOMIC JOINT COMMITTEE

MEETING – 13 SEPTEMBER 2021

REPORT BY CHIEF AUDITOR, EAST AYRSHIRE COUNCIL

SUBJECT: AGD INTERNAL AUDIT ANNUAL REPORT 2020/21

PURPOSE OF REPORT

1. The purpose of this report is provide for noting an annual report on internal audit activity in line with obligations laid out in the Ayrshire Growth Deal (AGD) Governance Document as detailed below:
 - to provide a summary of AGD internal audit work in year by all partners; and
 - to provide an annual opinion for the AGD; and
 - for further assurance provide the authority-wide Annual Internal Audit Opinions prepared by each of the three Councils.

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 work carried out during year one of AGD operations as laid out in paragraphs 7-8.
 - (iii) Note the AGD Annual Internal Audit Opinion of reasonable assurance, based on advisory work carried out by East Ayrshire Council during 2020/21, as laid out at paragraphs 9-11.
 - (iv) Note the Annual Internal Audit Opinions prepared by the three Councils as laid out at Appendices 2-4 with regard to the control environments within which the AGD operates.
 - (v) 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 WORK 2020/21

7. Days were set aside in the East Ayrshire Council Internal Audit Plan 2020/21 to support the development of AGD governance arrangements. Our engagement was primarily with the PMO Strategic Manager. Work was carried out predominately by the Chief Auditor and totalled 14 days.
8. The PMO Strategic Manager also attended meetings of the Pan-Ayrshire Chief Internal Auditors Group at which the AGD is now a standing item. The Pan-Ayrshire Group is long standing and meets quarterly.

AGD ANNUAL INTERNAL AUDIT OPINION 2020/21

9. Work carried out in 2020/21 is sufficient to allow the Chief Auditor, in the first year of AGD operations, to produce an Annual Internal Audit Opinion for the year to 31 March 2021.
10. The most that Internal Audit will provide in the annual opinion is reasonable assurance based on the risk based plan and a rolling programme of work. This is similar to the scope of external audit work in the context of the Council's financial statements which aims to give reasonable assurance on the statements.
11. Our overall opinion, based on the work described in paragraphs 7-8 and in line with PSIAS requirements, is that reasonable assurance can be placed upon the adequacy and effectiveness of the AGD's framework of governance, risk management and control in the year to 31 March 2021.

THREE COUNCILS ANNUAL INTERNAL AUDIT OPINIONS 2020/21

12. As AGD operations are managed mainly through the control environments of the three Ayrshire Councils we have provided (at Appendices 2-4) the Annual Internal Audit Opinions for each of the three Councils to provide further assurance to the Joint Committee; all three state reasonable assurance.

POLICY/COMMUNITY PLANNING IMPLICATIONS

13. No issues arising from this report.

LEGAL IMPLICATIONS

14. No issues arising from this report.

HUMAN RESOURCE IMPLICATIONS

15. No issues arising from this report.

EQUALITY IMPACT IMPLICATIONS

16. No issues arising from this report.

FINANCIAL IMPLICATIONS

17. No issues arising from this report.

RISK IMPLICATIONS (INTERNAL AUDIT RESOURCES)

18. 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

19. No issues arising from this report.

APPENDICES

20. The annual report is supported by four appendices:
 - Appendix 1: AGD Governance Document (Internal Audit Extract)
 - Appendix 2: East Ayrshire Council Internal Audit Annual Opinion 2020/21
 - Appendix 3: North Ayrshire Council Internal Audit Annual Opinion 2020/21
 - Appendix 4: South Ayrshire Council Internal Audit Annual Opinion 2020/21

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)

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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

**EAST AYRSHIRE COUNCIL
INTERNAL AUDIT ANNUAL OPINION 2020/21**

(Governance & Scrutiny Committee, 22 April 2021)

[Internal Audit 2020-21 Annual Report - internal audit 2020-21 annual report.pdf \(east-ayrshire.gov.uk\)](#)

Our overall opinion, based on the work carried out and in line with PSIAS requirements, is that **reasonable assurance** can continue to be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control in the year to 31 March 2021. The objectives of internal control have been substantially met. This is consistent with our opinion in previous years and is a notable achievement during 2020/21.

**NORTH AYRSHIRE COUNCIL
INTERNAL AUDIT ANNUAL OPINION 2020/21**

(Audit & Scrutiny Committee, 1 June 2021)

[report-template-general \(cmis.uk.com\)](https://cmis.uk.com/report-template-general)

6.4 On this basis, it is my opinion that **reasonable assurance** can be placed on the adequacy and effectiveness of the Council's systems of governance, risk management and internal control.

**SOUTH AYRSHIRE COUNCIL
INTERNAL AUDIT ANNUAL OPINION 2020/21**

(Audit & Governance Panel, 2 June 2021)

<https://www.south-ayrshire.gov.uk/ext/committee/CommitteePapers2021/Audit%20and%20Governance%20Panel/2%20June%202021/AGP0206216%20Internal%20Audit%20Annual%20Report.pdf>

On the above basis, Internal Audit can provide **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 2020/21.